

54-2010

CITY OF BIG RAPIDS, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

ADMINISTRATIVE OFFICES

226 NORTH MICHIGAN AVENUE

BIG RAPIDS, MICHIGAN 49307

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF BIG RAPIDS
YEAR ENDED JUNE 30, 2004**

**ISSUED BY
Treasurer's Office**

**TREASURER/ASSESSOR
Lorraine James**

**SUPPORT STAFF
Paul Cole, Income Tax Administrator
Jean Schneidt, Assistant Treasurer
Joyceann Francis, Appraiser
Carla Staffen, Accounting Clerk
Heidi Horan, Finance/Utility Clerk
Melissa Hauger, Benefits/Finance Clerk
Paula Weipert, Assessment Technician
Barbara Obert, Receptionist/Account Clerk
Harry Brennan, Meter Reader
Kelly Boos, Income Tax Clerk**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF BIG RAPIDS	County MECOSTA
Audit Date JUNE 30, 2004	Opinion Date AUGUST 16, 2004	Date Accountant Report Submitted to State: NOVEMBER 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

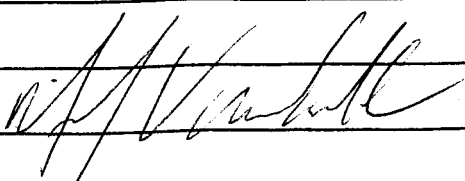
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address PO BOX 6547	City GRAND RAPIDS	State MI	ZIP 49516-6547
Accountant Signature 			

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CITY OF BIG RAPIDS

226 North Michigan Avenue
Big Rapids, MI 49307

September 9, 2004

Members of the City Commission and the Citizens of the City of Big Rapids:

The Comprehensive Annual Financial Report of the City of Big Rapids, Michigan, for fiscal year ended June 30, 2004, is submitted herewith. The financial statements included in this report have been audited by Rehmann Robson, an independent firm of certified public accountants. The report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable State statutes and Generally Accepted Accounting Principles (GAAP) as stated in the Governmental Accounting Standards Board statements and interpretations. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, and that it is presented in such a manner as to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its funds.

The independent audit of the financial statements of the City of Big Rapids was part of a broader, audit in accordance with Government Auditing Standards issued by the comptroller General of the United States of America. As part of this audit a Report on Compliance and on Internal Control over Financial Reporting based on an audit of financial statement has also been provided.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Big Rapids' MD&A can be found immediately following the report of the independent auditors.

City Manager	231-592-4020	City Treasurer	231-592-4002	Neighborhood Services	231-592-4035
Assessing	231-592-4030	DART	231-796-8675	Public Safety	231-527-0005
City Clerk	231-592-4000	Income Tax	231-592-4012	Public Works	231-592-4015
Water Plant	231-796-6231	Engineering	231-592-4018	Wastewater Plant	231-796-8483

REPORTING ENTITY AND ITS SERVICES

The City of Big Rapids is located 60 miles north of Grand Rapids, 45 miles south of Cadillac on U.S. 131, a four lane highway connecting Chicago to Traverse City via Kalamazoo. This route provides significant access and economic benefit to the area carrying commerce and much tourist traffic to vacation spots in northern Michigan and the Upper Peninsula. Big Rapids is the county seat of Mecosta County and is therefore the political center of the region. This position was enhanced this year when the Michigan Secretary of State Terri Lynn Land expanded the hours of the office in the downtown and closed the Remus satellite office within the county. Big Rapids continues to enjoy its position as the largest community in the County and so maintains growth and influence in the region.

After six consecutive years of static enrollment from 1991-97, Ferris State University has now reversed this trend each year beginning in 1998. This positive and steady advance is continuing in the fall of 2004, as 9,600 students arrive on the Big Rapids campus. Ferris employed a new president, Dr. David Eisler during the calendar year 2003-04. President Eisler has brought a significant energy to the campus. SAT scores have been raised for admission from 16 to 18 for 2004, and are being projected for an increase to 20 for academic year 2006. This promises to bring a more serious student to campus and should prove beneficial to the community.

During the past two years the University has added a new \$41,000,000 state of the art/technology library building (FLITE building) and an \$18,000,000 renovation to the Heating, Ventilating, Air Conditioning, Refrigeration (HVACR-Grainger Center) department facilities and a \$10,500,000 Student Services building (Timme Center). The university continues to emphasize a uniquely combined liberal arts degree with a technology emphasis which virtually guarantees graduates job positions as they graduate. With a budget of \$132,000,000 the university pumps many dollars into the economy of the community.

The City's legislative body is a five member Board of Commissioners which is elected by a vote of the public. The mayor has a two year term while the four commissioners serve four year terms. Ed Burch was re-elected Mayor in the past year. Commissioner Dan Rothstein was re-elected for a second term and was joined by Terry Harper, who had previously served on the City Planning Board and is a member of the Good Neighbors Association. This group joins Tom Hogensen and Peggy Brennan whose terms will be up in two years. All commissioners and mayor are term limited to eight years.

The administrative side of the community also underwent change in the past year. Steve Stilwell, City Manager for the past 12 years resigned to take a position in Sidney, Ohio. He was replaced by Steve Sobers, a newcomer to Michigan, but an experienced manager of 30 years. Steve came from Washington Court House, Ohio, a rural community of 13,800 residents of similar demographics to Big Rapids. Also new to the administration of the City is Mark Gifford. For years, City groups had lobbied the Commission for a full time planner. After agreeing to add the position, Mark was hired – a former resident of Mecosta County – and then a professional Planner in Frostburg, Maryland. Mark's expertise has been an asset to the community – and his position was expanded to include the Downtown Manager role in 2004. The remaining department staff is talented and very capable – and has served the community for long tenures.

They include:

Lorraine James – Finance
Don Greiner – Engineer
Eric Williams – Attorney
Tim Moslener – Technology

Kevin Courtney – Public Safety
Tim Vogel – Public Service
Roberta Cline – Clerk
Gaylynn Rorabaugh – Library

The City is led by the administrative branch as approved by the Commission. This leadership is guided by a series of citizen committees. Most important in this process, these committees represent a cross section of the residents who serve without pay to recommend policy, make decisions, and guide progress. Planning Board, Park Board, Tax Board of Review, and Board of Appeals comprise the most active of these public boards.

The City has been blessed within the past two years to be working out of new administrative office facilities. The voters in 2002 approved a millage to support the construction of a new \$5,000,000 Public Safety complex. This facility was built with an eye to the future and should be of service for the community for 50 years. The building boasts a technologically advanced training room, 6 bay apparatus garage, interview rooms, exercise facilities, investigative and interview rooms, and administrative offices.

The old space vacated by the Public Safety forces at City hall was then remodeled into a modern administrative, handicapped accessible central office facility. Past commissions, with considerable wisdom had been planning for this eventuality for years – and had created a ‘set aside’ account with over \$1,000,000 dedicated to the renovation. Without having to ask for any increased taxes the City completed this project in 2003. The administration building now enjoys a 100 seat Commission Meeting room, 5 conference meeting rooms, administrative offices and ample storage. Each building has considerable ability to grow with the community over the next millennium.

ECONOMIC CONDITION AND OUTLOOK

The State of Michigan has experienced severe economic shortfalls in the past 3-5 years. This trend has been deeper in Michigan than most of the United States, and seems to be harder to shake off. This situation has created difficulty for the legislators in Lansing, who have seen the local revenue sharing reduction as a significant way to help balance the State Budget. Cuts in State support – while promised in various legislative laws have nevertheless been reduced 15-20% over the past two years. As the City depends on this state aid for around 25% of its general fund budget, these cuts have caused serious review of City programs and a significant tightening of the budgetary belt.

The City Commission has taken the position for many years that property tax increases are not an option. The residents of the community already contribute a ‘reasonably fair’ property tax for community services and increases above an area average would be counter-productive to economic health. With Ferris State University within the community, Big Rapids has the unique position of having 60% of its real estate exempt from property taxes. Property taxes are therefore considered a rather unfair method of producing revenue. For over 10 years Big Rapids

has held the line on commission voted taxes. Only increases for capital construction projects have been enacted after a vote of the people. The public has been extremely supportive in their votes for the passage of the community needs.

Within the State of Michigan, Big Rapids is one of the few towns that have an income tax. Made necessary by the property tax exemption of University property and the need for services the income tax provides opportunity for the in-town residents (at 1%) and the out-of-town residents (at .5%) to support the needed services. Each of these major funding sources brings in approximately \$1,000,000 and provides an adequate financial base for the community.

While other towns in Michigan have been financially challenged by the State cutbacks, Big Rapids with its reliance on the University and income tax has seen stable financial times. General fund income has been consistently rising – although in very small increments. In this economic climate – this is a considerable blessing. Big Rapids Township, by contrast, has experienced a 25% LOSS of revenue for operations in the past 5 years. In 2004-05, by all projections, will see a return to ‘better times’ on the national level. It is expected that this improved financial picture nationally, will see better growth for Big Rapids as well – but perhaps not as dramatic as other communities. It would seem that while the University is a buffer against losses in bad economic times – it will not expect to expand in good economic times. The University is a product of student enrollment rather than production sales.

Of significant concern in recent years is University housing. Steady, measured growth in the University has led to pressure in the housing stock around the University to place students in ‘typical’ residential homes. As this pressure has grown, so have the complaints from neighbors who have felt the squeeze in the housing and the sometimes noisy and rowdy college students. The private sector has begun to react to this pressure and constructed student rental complexes more adequate to the student need – with study space, high speed internet, security, and appropriate living environments. Kevin Defever is opening a 300 bed apartment complex south of campus in 2004 and plans another comparable expansion for 2005. Marcel Bergler, developer from Grand Rapids, is building an upscale student gated complex on Perry Avenue for another 288 students in 2005. Two other existing complexes – Clark Street and Rapids Apartments – plan more modest expansions.

The availability of over 1,000 new student living quarters in the next year will change the housing environment in the community. While the University plans continued student growth – it will not occur at this rapid a rate. The City and Good Neighbors Association have already begun initiatives with the Housing Authority – to target neighborhoods for purchase and renovation of student rentals – for a return to single family residential occupancy. These programs and the opportunity for purchases on the private market should see some revival in renovation in the single family homes around the University.

General residential variety will be improved with the construction of an upscale riverfront condominium complex on Baldwin Street (72 units) and a subsidized housing complex expansion of Ryan Creek (48 units).

In the midst of economic challenge – Big Rapids industries have remained strong. Haworth (metal filing systems) led the expansion/consolidation efforts in 2004, moving their operations to Holland, Allegan and Big Rapids Michigan. The growth component in Big Rapids will bring a new manufacturing line to the plant and investment of over \$7,000,000. Approximately 20 new employees will be added to their workforce bringing total employment to a number over 200. Simonds (saw blade manufacturing) consolidated operations from a plant in the State of Washington. Michigan successfully competed for this addition with a sister plant in Florence, South Carolina. Six-to-eight employees and an investment of \$5,000,000 are expected. Big Rapids Products (automotive parts manufacturer) was the successful bidder on supplying Honda. A new stamping press is being installed in advance of the production and employment of 10 new persons. All these industries were the beneficiary of tax incentives from the City of Big Rapids. All have considerable track records of success within the community. Other companies including Wolverine (leather shoes) and Hamtech (tool shop) have announced increases in employment as a result of an improving economy.

The City-County-Township has streamlined its industrial recruitment efforts in the past year with the consolidation of the IDC (Industrial Development Commission) and the MCDC (Mecosta County Development Commission). In the past MCDC employed the development director and provided the hands and finances for industrial recruitment. The IDC – a separate organization actually owned the real estate in the industrial park. Combining the two functions should make discussions with prospects a much easier operation.

The future continues to be bright for the Big Rapids area for industrial-business development. While the City industrial park has nearly run out of space, a new park is being developed on U.S. 131 beside the City Airport. The 'Airport Industrial Park' has over 150 acres – but most importantly boasts a 'Renaissance Zone' designation. This tax incentive actually exempts a business of all Michigan corporate taxes for a period of 15 years including income and property taxes. At the present time, the streets have been completed. Water and sewer services are being designed and thanks to an EDA grant will be constructed in 2004-05. Once this infrastructure is in place there are high hopes for recruiting businesses interested in this serious tax advantage.

As the county seat along a limited access highway, Big Rapids enjoys considerable commercial activity. This year Lowe's Home Improvements is in the process of constructing a lumber warehouse immediately adjacent to the highway. Isabella Bank is in the process of opening a new facility along this route as well. Menard's Home Improvement has purchased acreage on Perry Avenue and Ruby Tuesday's restaurant is exploring their options here.

On the east side of the Muskegon River, a mini mall is under construction. The City is involved in this project extending its water main 700 feet to reach the location of the new stores.

During the past year, the Downtown Development Authority was reenergized to create two programs to assist businesses in the Central Business District. Due to the age of the buildings in the district they qualify for the creation of an 'obsolete' rehabilitation district. This Michigan program, once implemented, allows a business to renovate a building and avoid additional property tax on the improvement for a period of 10 years. During year one, Chapman Rentals

used the new law to purchase and renovate the old Legion Hall into an office building and student rental efficiency apartment.

The Second program assists start up businesses in the Central Business District by providing low interest loans for façade, code needs or building renovations. This is a direct loan from funds raised within the district to other potential businesses locating there. Together these programs are hoped to provide additional incentive for continued health of the district.

Major renovation over the years 2001-04 in the public sector included City Hall, Safety Department and Senior Citizen rental apartments in the second and third floor store buildings downtown. These capital investments improvements continued to be strong into 2004-05. The Mecosta County General Hospital was voted additional millage to add surgery rooms and a new emergency facility to the existing hospital. The construction is currently underway. Spin-offs to the major work will be a new entrance to the hospital, additional parking, the improvement of a neighborhood park, a walk path around the facility, and new access and play areas for the elementary school next door. Storm drainage, landscaping and street improvements will follow.

The Charter Academy continues to grow in Big Rapids. Currently with 600 students the targeted goal of 900 will require improved facilities. The State of Michigan has approved adding a gym and classroom facilities to the high school which are targeted to be underway by spring 2005.

Another stretch of the Riverwalk has been bid and will be underway in the fall of 2004. The project cost will reach another \$400,000 and will extend the path on the west side of the Muskegon River from the Junior High School across Baldwin Street to Hanchett Park. Triangle Park at the Hospital on River Street is also planned for uplift in use to including parking, landscaping and a Gazebo (donated by Rotary Club).

CASH AND INVESTMENT MANAGEMENT

Each fund within the City has its cash that is needed for daily operations, invested in the City depository and investment pool or in separate depository and investment accounts. Cash temporarily idle during the year may be invested in bank certificates of deposit, commercial paper, bank money market accounts, as well as U.S. Government securities as permitted by the State of Michigan statutes and the City's Cash and Investment Policy. Balances in the Act 345 pension fund can be invested in additional types of securities including equities due as allowed by State of Michigan statutes.

RISK MANAGEMENT

The City manages its risk exposures through a combination of self-insurance programs, risk management pools, and commercial insurance and excess coverage policies.

For coverages concerning property, general liability, automobile liability, motor vehicle physical damage, and property damage, the City participates in the Michigan Municipal Liability and Property Pool. Unemployment claims are reimbursed to the Michigan Employment Security Commission. The City is self-insured for employee health and dental insurance. Excess insurance coverage purchased by the City covers individual claims and an aggregate claim amount which are set annually.

PENSION BENEFITS

The City provides employees in the various bargaining and nonbargaining units pension benefits through either defined benefit or defined contribution pension plans. Benefits and employee and employer contributions vary depending on employee elections, position and bargaining unit. A deferred compensation plan is also available to the various employee groups.

MAJOR INITIATIVES

The City of Big Rapids commission has begun several initiatives to enhance the quality of life and maximize the effectiveness of government in the City. The Following is a listing and description of the major projects and goals:

1. Residential Property Maintenance.

With the Good Neighbors Association and the new Neighborhood Services Director, the City has a new emphasis on housing upkeep and property maintenance codes. Neighborhood services have joined the Fire department on all rental inspections to emphasize zoning issues as well as safety concerns.

2. Develop improved relationship with adjacent governmental entities.

The new Airport Industrial Park assists with this venture. The combined IDC and MCDC have all groups sitting down on a monthly base.

3. Pave alleys and streets.

The regular paving program is looked to for additional expansion capability.

4. The 'Buy Back the Neighborhoods'

The buy back the neighborhood program allows for focus on rehabbing old houses.

5. Riverwalk Project

An additional \$400,000 will be spent to extend the Riverwalk in the fall of 2004.

6. Roben Hood Airport.

A new Fixed Base Operator will be employed in 2004-05 replacing Ottawa-Kent Air Services. OK had to back out of their contract due to the illness of their main owner. New services and master plans are needed. An aviation easement will be required for the industrial park, water and sewer will be extended to serve the airport and the runway needs an expansion to 5,000 feet.

7. Wastewater Plant

The age of the WWTP is resulting in the need for upgrades in the treatment processes. The City is planning this venture in phases to include new ultra-violet disinfection, treatment tanks, and storage units. The total estimated costs of the project over the next 3-5 years are \$5,000,000.

9. Library

Concerns about a quality library will be on the agenda for several years as the Commission plans how to provide first class library facilities and programs without major impact on the City budget.

10. Web Site

This fall the City has connected with Ferris State University to assist in redesigning the City web page for more friendly and informative use by the community.

11. Poly Carts

While bids for refuse services were reduced this past year, the Commission is looking at a more efficient pickup process using 90 gallon poly carts. While the initial investment is significant, a savings should be realized from the more efficient pickup. The carts may also be a better way to handle the large student housing populations.

12. Planning

With the advent of a full time City Planning Department updates to the Park Master plan and the City Comprehensive plan are in the works. Parking regulations and Sign regulations are also being undertaken.

DEPARTMENTAL FOCUS

CITY ADMINISTRATION – MANAGER’S OFFICE

The City of Big Rapids administrative office is headed by Stephen J. Sobers. Steve was employed on September 22, 2003. He replaced Steve Stilwell following his 12 years of service to the community. Stilwell moved on to serve Sidney, Ohio.

Steve Sobers came to Big Rapids after service in Washington Court House, Ohio, a farming community on I-71 between Columbus and Cincinnati, Ohio. Washington is also a county seat with a similar population of 13,500 persons. Before that time Steve progressively served West

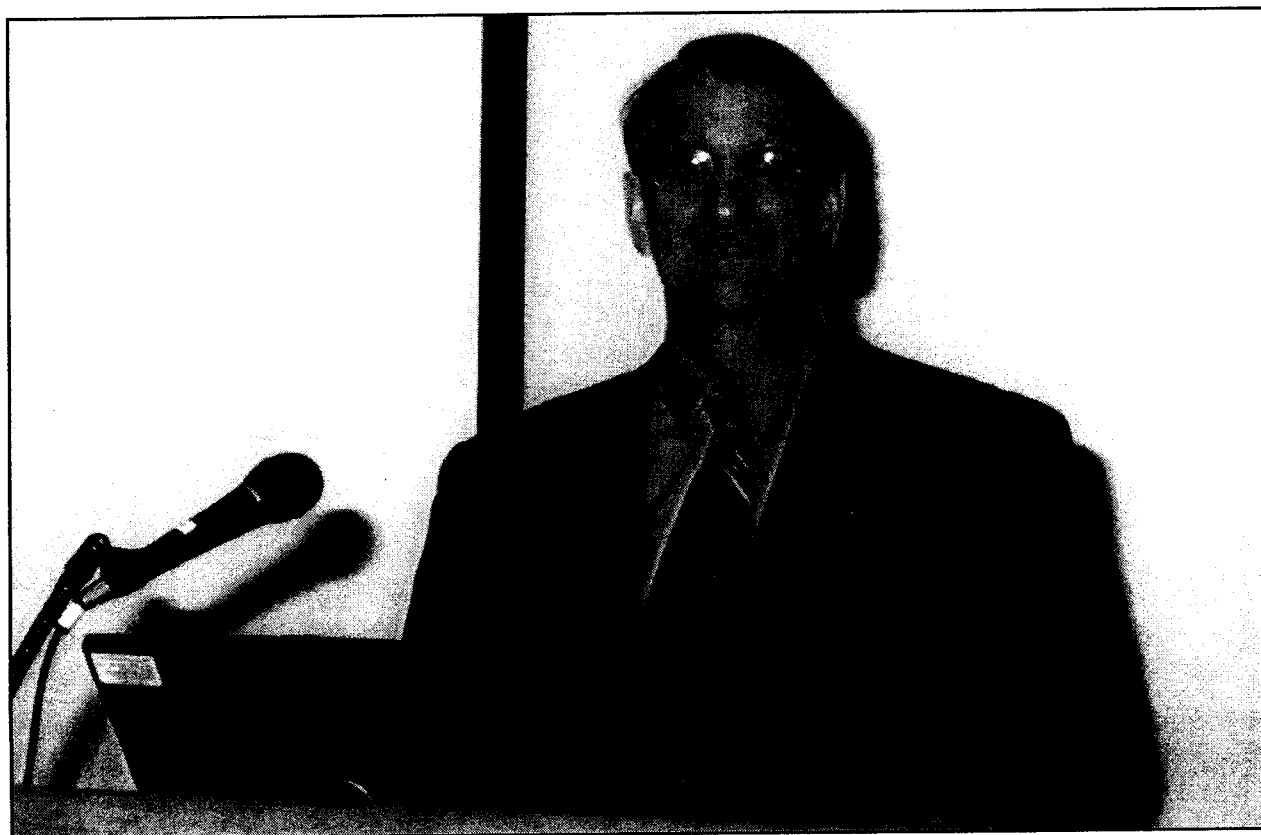
Milton, Ohio; Dillon, South Carolina; and Conway, South Carolina. Steve has served communities as City Manager for 29 years.

Steve graduated from Ohio Northern University in Ada, Ohio in 1972 with a degree in History and Political Science with teaching credentials. He completed this career at ONU ranking second in his college class. From there he attended the University of Wisconsin, Madison to obtain a degree in Public Administration. Since that time Steve has attended many and frequent seminars and training sessions and maintains his status as a 'Certified Manager' by the International City Manager's Associations Credentialing Program.

The administrative wing of Big Rapids includes department leaders:

Roberta Cline	- Clerk, Personnel	Lorraine James	- Finance
Tim Vogel	- Public Service	Don Greiner	- Public Utilities
Kevin Courtney	- Public Safety	Gaylynn Rorabaugh	- Library
Tim Moslener	- Technology	Mark Gifford	- Neighborhood Services
Eric Williams	- Attorney		

The City Manager's office works to coordinate all the programmatic functions of the City. This is done through weekly staff meetings, visits to department offices, memos, department wide training and informational meetings. In addition the Manager's office coordinates all budgetary issues with departments. The Administrative division controls, advises, and directs the day to day operations of the City.



Second, the City Manager's office coordinates all philosophical and legislative direction received from the City Commission. This effort comes from many meetings and workshops sessions with the Commission and their both voted and informal requests which are made on the administrative offices. The administrative office responds to questions and provides information and studies designed to assist the commission in their role as the final and ultimate keepers and makers of the City policies. In practical terms the two functions (administration and legislative) meet over the budget – where the direction of the commission meets the day to day spending requirements to carry out their wishes.

Thirdly, the administrative office is the chief representative and spokesman of the City to the Community at large. In this capacity the administration meets with citizen groups, speaks at various meetings, joins civic clubs, and connects at all possible levels in order to get both the administrative and legislative agendas before the community at large.

Finally, the administrative office is the liaison of the City to all other governmental agencies of the United States, State of Michigan, Mecosta County, and their various agencies, committees, and groups. A significant portion of this communication involves meetings with the press as well as lobbyists, municipal associations and local community leaders.

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the City of Big Rapids for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

ACKNOWLEDGMENT

It is very appropriate that appreciation be expressed for the efficient and dedicated services of the City's Department of Finance. The maintenance of the daily financial reports, all investments and the preparation of this comprehensive report were the supervisory responsibilities of City Treasurer, Lorraine James. She has been ably assisted by other finance/management area personnel, which include Jean Schneidt, Carla Staffen, Heidi Horan, Melissa Hauger, Paul Cole, Barbara Obert, Kelly Boos, Harry Brennan, Joyceann Francis, and Paula Weipert. Cheryl Colley contributed all photos. Big Rapids Printing, Big Rapids, Michigan was responsible for the reproduction of the artwork, covers and inserts. Steve Sobers, City Manager, authored the Departmental Focus.

Excellent working relationships were established and maintained between the auditors and the municipal staff in the preparation of this annual financial report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Stephen Sobers", written over a horizontal line.

Stephen Sobers
City Manager

A handwritten signature in cursive script, appearing to read "Lorraine James", written over a horizontal line.

Lorraine James
City Treasurer

**STATEMENT OF MANAGEMENT'S
RESPONSIBILITY FOR FINANCIAL STATEMENTS**

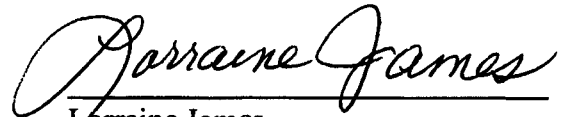
Responsibility for the integrity of the financial data presented rests with the City. We believe the data to be accurate in all material aspects. These financial statements are prepared in accordance with Generally Accepted Accounting Principles applicable to city government and State Statutes.

Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Rehmann Robson, independent certified public accountants, has audited the accompanying financial statements, and the supplemental financial information has been subjected to the auditing procedures applied in their audit. Rehmann Robson's report is included in the financial section of this report.



Stephen Sobers
City Manager



Lorraine James
City Treasurer

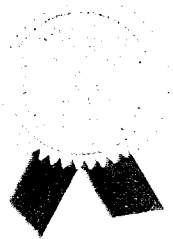
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Big Rapids,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

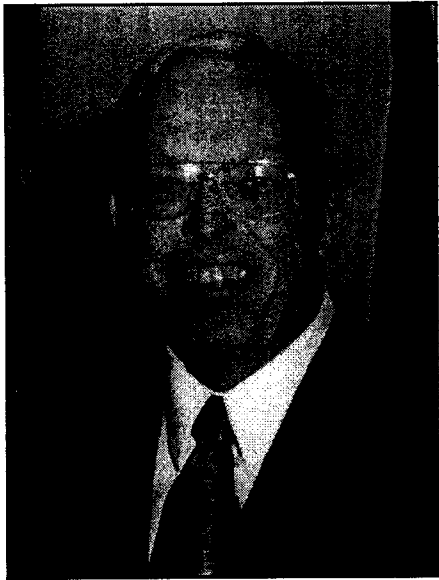


A handwritten signature in black ink, appearing to read "Edward Handberg".

President

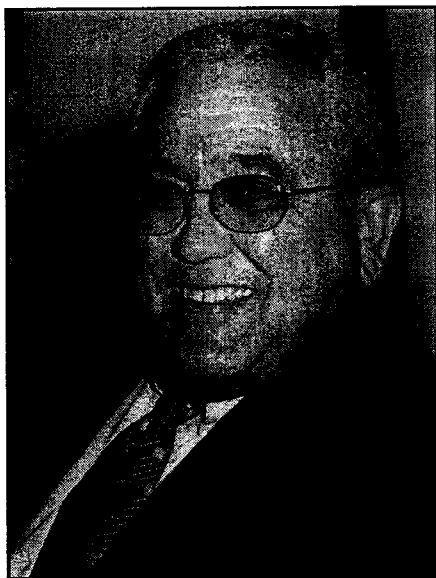
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Edward Burch
Mayor

During this past year the City of Big Rapids has taken a pause to accept awards for the work completed on the Nisbett-Fairman buildings and Riverwalk. The shrubs and trees planted along State Street near Ferris State University have begun to grow and present a warm welcome to residents and travelers as they come into the City from the U.S. 131 Freeway. The year 2003-2004 has been a time for staff and commissioners to monitor reduced revenue sharing funds while managing the city's budget. It is my honor to serve as mayor of Big Rapids and ask you to read this report which has been prepared for your information.



Dan A. Rothstein
Mayor Pro Tem

As we approach our 150th year, we are excited about the continued efforts of the citizens of Big Rapids to maintain and improve our quality of life in all areas and aspects of our community. Each year we face new challenges and explore solutions with our neighboring townships and Ferris State University. It is with this spirit of cooperation that we will continue to prosper and enhance our quality of life. It continues to be a privilege to serve this community.

CITY OF BIG RAPIDS, MICHIGAN

CITY OFFICIALS

(June 30, 2004)

City Commission _____ Edward Burch, Mayor

_____ Dan Rothstein, Mayor Pro Tem

_____ Peggy Brennan

_____ Tom Hogenson

_____ Therese Harper

City Manager _____ Stephen Sobers

City Attorney _____ Eric D. Williams

City Clerk _____ Roberta R. Cline

City Treasurer/Assessor _____ Lorraine James

Engineer/Utilities Director _____ Donald Greiner

Income Tax Administrator _____ Paul B. Cole

Information Technology Manager _____ Timothy Moslener

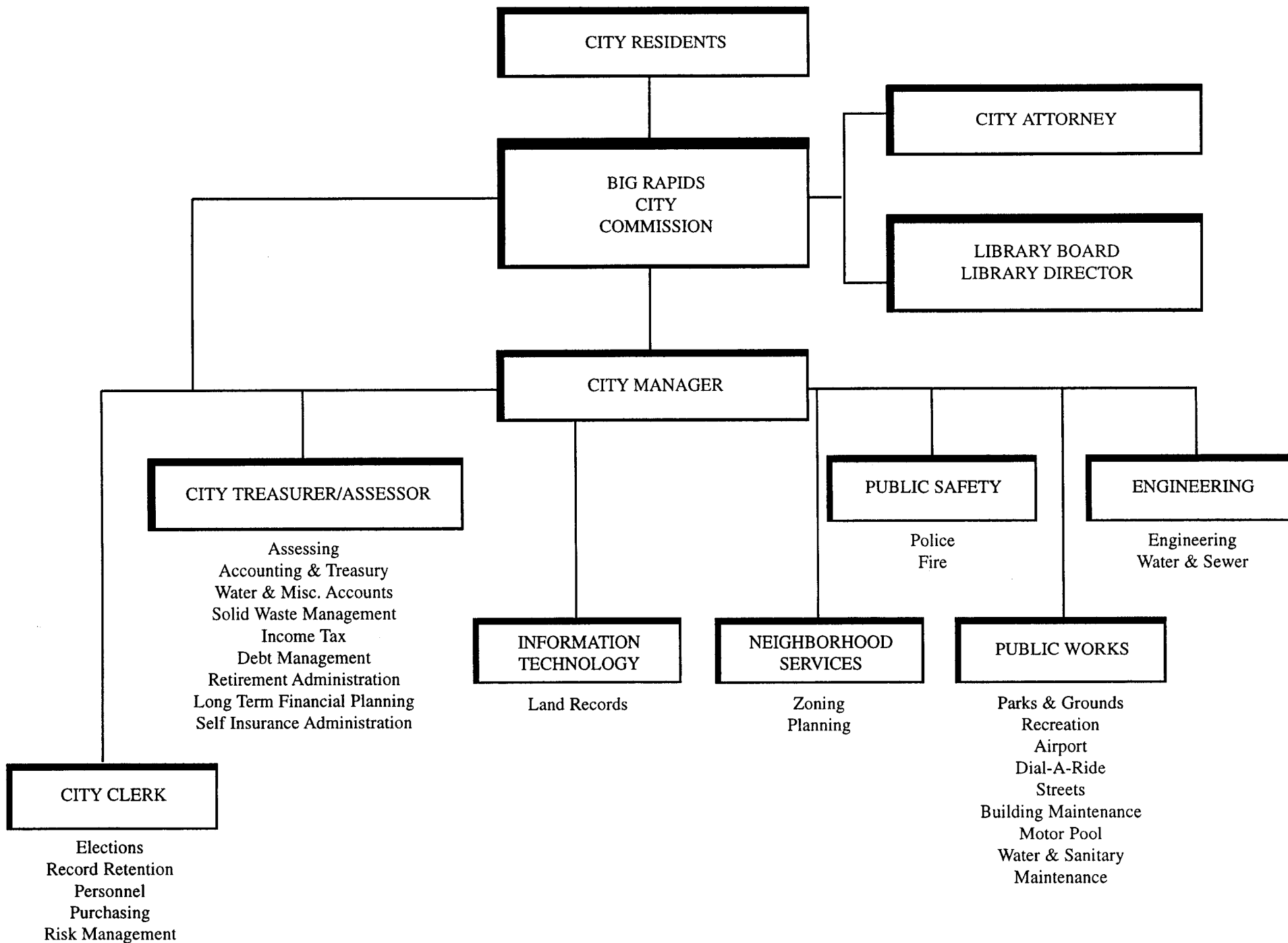
Library Director _____ Gaylynn Rorabaugh

Neighborhood Services Director _____ Mark Gifford

Transportation Supervisor _____ Deb Wilkinson

Public Safety Director _____ Kevin Courtney

Public Works Director _____ Timothy J. Vogel





REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

August 16, 2004

Honorable Mayor and City Commissioners
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Big Rapids, Michigan, as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Big Rapids, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Big Rapids, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2004, on our consideration of the City of Big Rapids internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 22-32 and the pension information on pages 68-69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Big Rapids' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the City of Big Rapids' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of Big Rapids, Michigan. The combining and individual nonmajor fund financial statements and schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rehmann Lohman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Big Rapids, we offer readers of the City of Big Rapids financial statements this narrative overview and analysis of the financial activities of the City of Big Rapids for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The City Hall renovation project was completed.
- The Phase I of the Riverwalk project was finished.
- The public safety department received additional federal grants for equipment related to emergency preparedness.
- Income tax revenue remained flat and state shared revenue decreased.

The fund balance of the City of Big Rapids' general fund decreased by \$367,957 during the current fiscal year. Key factors in this decrease are as follows:

- An increase in transfers out to continue to fund the Building Improvement Fund.
- An increase in Public Safety to fund a cold case investigation, holiday payments, and retirement increases.
- An increase in building expenses for the new Public Safety Building.
- Riverwalk revenues and expenditures were carried over from fiscal year 2002/2003 in order to complete the project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Big Rapids financial statements. The City of Big Rapids basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Big Rapids finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Big Rapids assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Big Rapids that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Big Rapids include legislative, public safety, public works, health, welfare, culture, recreation and general administrative services. The business-type activities of the City of Big Rapids include wastewater, water, transportation and sanitation services.

The government-wide financial statements include not only the City of Big Rapids itself (known as the *primary government*), but also legally separate – (*component units*) – for which the City of Big Rapids is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Big Rapids, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Big Rapids can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Big Rapids maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund which is considered to be a major fund. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Big Rapids adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 36-40 of this report.

Proprietary funds. The City of Big Rapids maintains 7 different proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Big Rapids uses enterprise funds to account for its wastewater, water, transportation and sanitation activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Big Rapids various functions. The City of Big Rapids uses internal service funds to account for its motor pool, DPW services and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater, water, transportation and sanitation activities, all of which are considered to be major funds of the City of Big Rapids.

The proprietary fund financial statements can be found on pages 41-43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Big Rapids own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis and required Act 345 pension information. Required supplementary information regarding the Act 345 pension information can be found on pages 68 and 69 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 70-102 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Big Rapids, assets exceeded liabilities by \$24,829,499 at the close of the most recent fiscal year.

By far the largest portion of the City of Big Rapids net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Big Rapids uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Big Rapids investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Big Rapids Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 5,387,279	\$ 5,897,258	\$ 2,863,430	\$ 2,645,830	\$ 8,250,709	\$ 8,543,088
Capital assets	11,705,749	11,188,539	15,311,375	15,782,950	27,017,124	26,971,489
Total assets	17,093,028	17,085,797	18,174,805	18,428,780	35,267,833	35,514,577
Long-term liabilities outstanding	4,454,821	5,222,069	4,376,372	4,645,845	8,831,193	9,867,914
Other liabilities	969,189	1,092,300	637,952	671,374	1,607,141	1,763,674
Total liabilities	5,424,010	6,314,369	5,014,324	5,317,219	10,438,334	11,631,588
Net assets:						
Invested in capital assets, net						
of related debt	7,125,772	6,401,063	10,660,003	10,732,950	17,785,775	17,134,013
Restricted	1,634,314	1,544,588	104,507	69,377	1,738,821	1,613,965
Unrestricted	2,908,932	2,825,777	2,395,971	2,309,234	5,304,903	5,135,011
Total net assets	\$11,669,018	\$10,771,428	\$13,160,481	\$13,111,561	\$24,829,499	\$23,882,989

Net assets of governmental funds at year-end have been restricted primarily by funding sources for major and local street repair, maintenance and construction. Of the net asset balance at year end, 60% is invested in capital assets net of related debt, 7% is restricted for major streets, 6% is restricted for local streets, 1% is restricted for other purposes and 26% is unrestricted and available for general City operations.

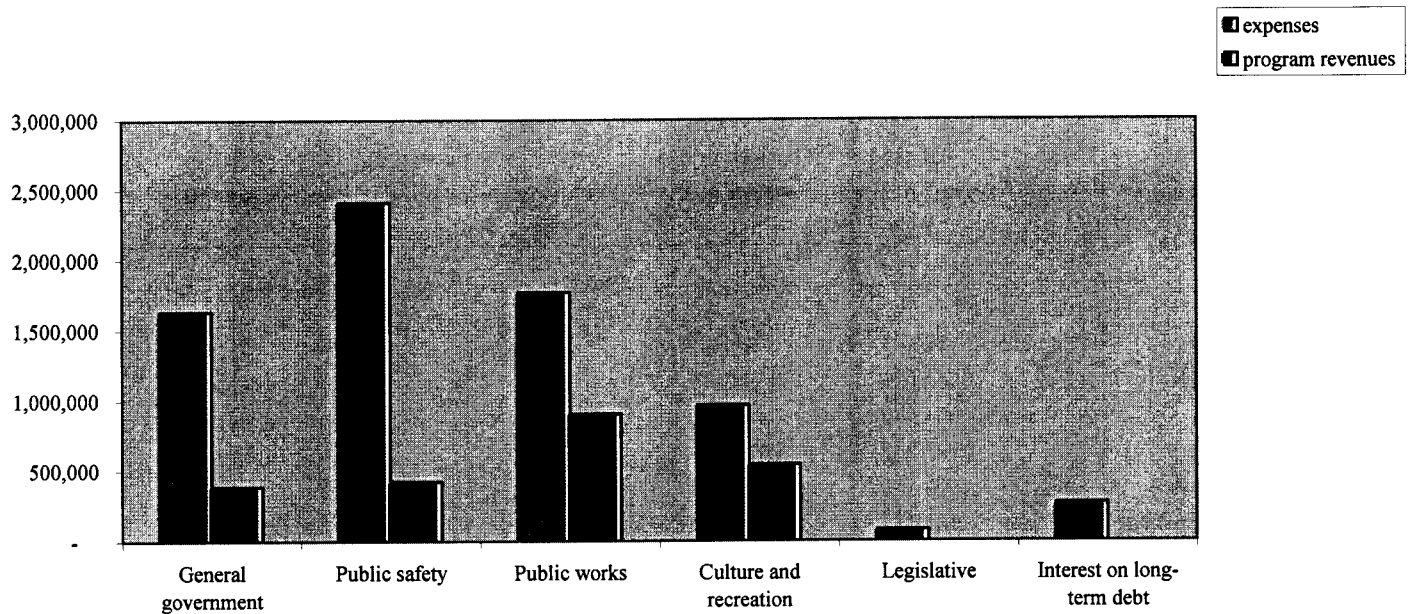
City of Big Rapids Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Revenue:						
Program revenue:						
Charges for services	\$ 834,624	\$ 762,228	\$ 4,179,691	\$ 4,034,998	\$ 5,014,315	\$ 4,797,226
Operating grants and contributions	1,031,421	946,771	160,888	192,689	1,192,309	1,139,470
Capital grants and contributions	340,778	552,636	-	4,162	340,778	556,799
General revenue:						
Property taxes	2,203,021	2,132,010	-	-	2,203,021	2,132,010
Income taxes	1,814,042	1,835,702	-	-	1,814,042	1,835,702
State shared revenue	1,483,074	1,910,289	-	-	1,483,074	1,910,289
Other	27,227	144,065	(1,877)	56,040	25,350	200,105
Total revenue	<u>7,734,187</u>	<u>8,283,701</u>	<u>4,338,702</u>	<u>4,287,899</u>	<u>12,072,889</u>	<u>12,571,600</u>
Expenses:						
Legislative	77,192	78,207	-	-	77,192	78,207
General government	1,662,823	1,632,947	-	-	1,662,823	1,632,947
Public safety	2,604,570	2,410,036	-	-	2,604,570	2,410,036
Public works	1,595,742	1,720,489	-	-	1,595,742	1,720,489
Parks and recreation	900,196	964,346	-	-	900,196	964,346
Interest on long-term debt	281,474	268,554	-	-	281,474	268,554
Wastewater Utility	-	-	1,272,185	1,316,308	1,272,185	1,316,308
Water Utility	-	-	1,639,504	1,623,197	1,639,504	1,623,197
Transportation	-	-	347,035	419,266	347,035	419,266
Sanitation	-	-	745,658	706,197	745,658	706,197
Total expenses	<u>7,121,997</u>	<u>7,074,579</u>	<u>4,004,382</u>	<u>4,064,968</u>	<u>11,126,379</u>	<u>11,139,547</u>
Increase in net assets before transfers	612,190	1,209,122	334,320	222,931	946,510	1,432,053
Transfers	<u>285,400</u>	<u>264,200</u>	<u>(285,400)</u>	<u>(264,200)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	897,590	1,473,322	48,920	(41,269)	946,510	1,432,053
Net assets - beginning of year	<u>10,771,428</u>	<u>9,248,106</u>	<u>13,111,561</u>	<u>13,152,830</u>	<u>23,882,989</u>	<u>22,450,936</u>
Net assets - end of year	<u>\$11,669,018</u>	<u>\$10,771,428</u>	<u>\$13,160,481</u>	<u>\$13,111,561</u>	<u>\$24,829,499</u>	<u>\$23,882,989</u>

Governmental activities. Governmental activities increased the City's net assets by \$897,590, accounting for 95% percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

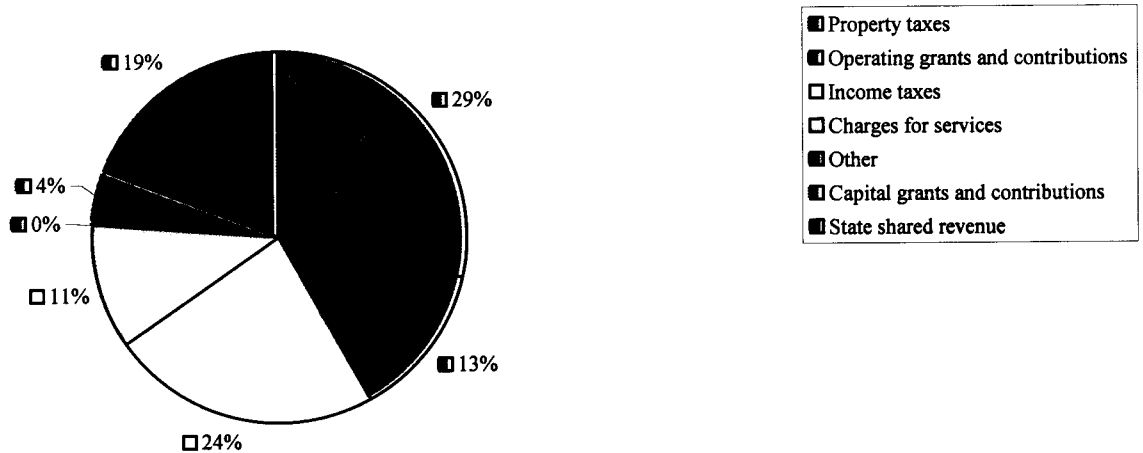
- Decreased state shared revenue of approximately \$400,000.
- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

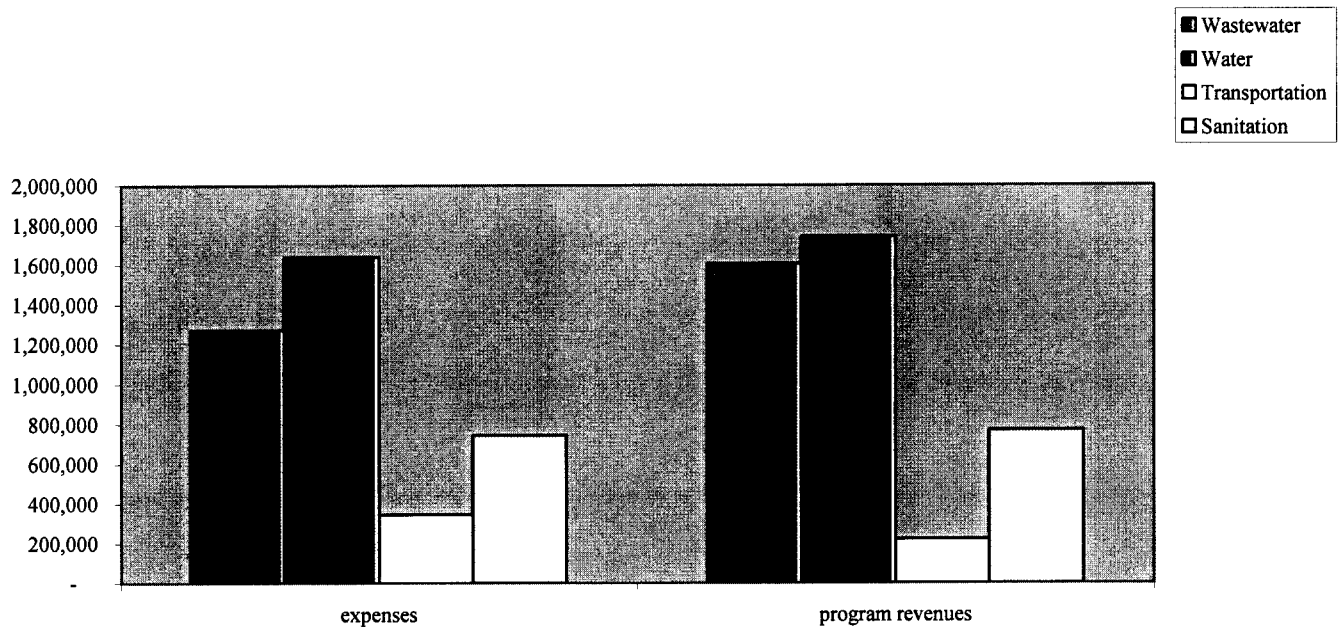
Revenues by Source - Governmental Activities



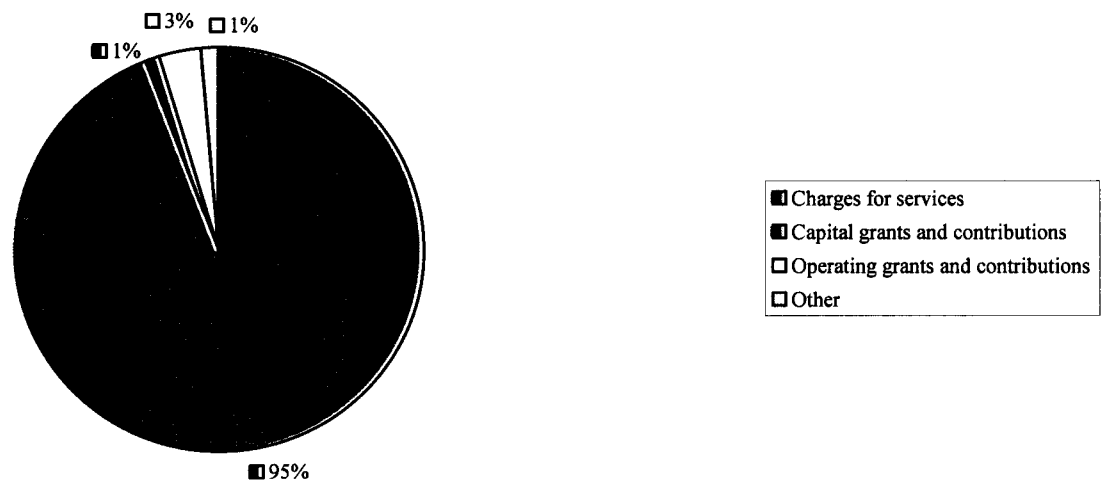
Business-type activities. Business-type activities increased the City's net assets by \$48,920, accounting for a negative 5% percent of the total change in the government's net assets for the current year. By comparison, business-type activities reported a decrease in net assets the previous fiscal year of approximately \$41,269. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 3.5%, or \$144,693, compared to the prior year. This is a result of increased rates for enterprise service.
 - Expenses decreased 1.5%, or \$60,586, primarily because of cost containment efforts.
-

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Big Rapids uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Big Rapids *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Big Rapids financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Big Rapids' governmental funds reported combined ending fund balance of \$4,139,185, a decrease of \$522,114 compared with prior year. Approximately 45 percent or \$236,645 of this decrease was the result of the City Hall renovation project expenditures incurred in 2004. [The general fund's contribution to the decrease of \$367,957 is explained below].

The general fund is the chief operating fund of the City of Big Rapids. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,873,762 while total fund balance reached \$1,930,259. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the City of Big Rapids' general fund decreased by \$367,957 during the current fiscal year. Key factors in this decrease are as follows:

- A decrease in state revenue of \$498,588 primarily due to cuts at the State of Michigan.
- A decrease in federal revenue of \$189,886 due to completion of the parking lot project.
- Increased public safety costs due to inflation and staffing levels.

Proprietary funds. The City of Big Rapids' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the wastewater, water, transportation and sanitation funds at the end of the year amounted to \$605,519, \$742,066, \$48,912 and \$419, respectively. The total changes in net assets for these funds was \$72,716, \$80,511, \$(71,204) and \$(33,103), respectively. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Big Rapids' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were can be briefly summarized as follows:

- \$354,100 in increases allocated to public safety for police and fire salary and benefits as well as \$93,800 for an emergency preparedness grant; on the revenue side of the budget changes were relatively minor including an increase in grant revenue for the above noted emergency preparedness project.
- Additional monies were received from surrounding townships for fire protection and from the first responder contract.

Capital Asset and Debt Administration

Capital assets. The City of Big Rapids' investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$27,017,124 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Big Rapids' investment in capital assets for the current fiscal year was 0.2 percent (a 4.6 percent increase for governmental activities and a 3.0 percent decrease for business-type activities). 2003 was the first year in which infrastructure assets were recorded.

Major capital asset events during the current fiscal year included the following:

- Completion of the City Hall.

City of Big Rapids Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
Land	\$ 4,547,606	\$ 311,895	\$ 4,895,501
Buildings	4,502,962	2,020,444	6,523,406
Equipment	1,457,453	12,979,036	14,436,489
Infrastructure	1,197,728	-	1,197,728
Total	<u>\$11,705,749</u>	<u>\$15,311,375</u>	<u>\$27,017,124</u>

Additional information on the City of Big Rapids capital assets can be found in Note 7 on pages 57-59 of this report.

Long-term debt.

City of Big Rapids Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$4,560,000	\$4,850,000	\$ -	\$ -	\$4,560,000	\$ 4,850,000
Capital Lease	19,977	58,640	-	-	19,977	58,640
Revenue bonds	-	-	4,720,000	4,975,000	4,720,000	4,975,000
Other debt	375,145	657,090	-	75,000	375,145	732,090
Total	<u>\$4,955,122</u>	<u>\$5,565,730</u>	<u>\$4,720,000</u>	<u>\$5,050,000</u>	<u>\$9,675,122</u>	<u>\$10,615,730</u>

During the year the City issued no new debt and paid \$620,000 of principal off on debt outstanding at July 1, 2003.

The City of Big Rapids most recent general obligation bond issue had a rating of Aaa from Moody's and was FGIC insured.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current remaining debt limitation for the City of Big Rapids is \$11,983,385.

Additional information on the City of Big Rapids long-term debt can be found in Note 8 on pages 59-61 of this report.

Economic Factors and Next Year's Budgets and Rates

- Income tax revenue was budgeted flat based on the current economic situation.
- An increase in water rates was implemented based on a current rate study. The study was designed to set rates to provide funding sufficient to cover capital and operating needs of the system.
- Two hundred thousand dollars was set aside to "Buy Back the Neighborhood". The City is purchasing run down rental properties for Big Rapids Housing Commission, who in turn will renovate the houses, turning them into single family dwellings.

Requests for Information

This financial report is designed to provide a general overview of the City of Big Rapids finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Lorraine James, Treasurer, City of Big Rapids, 226 N. Michigan Ave., Big Rapids, MI 49307.

BASIC FINANCIAL STATEMENTS

CITY OF BIG RAPIDS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNIT
	ACTIVITIES	ACTIVITIES		DDA
Assets				
Cash and temporary investments	\$ 4,438,572	\$ 2,059,944	\$ 6,498,516	\$ 61,711
Receivables				
Accounts	155,392	390,949	546,341	-
Special assessments	43,183	-	43,183	-
Other governments	615,172	-	615,172	-
Advance to agency funds	40,000	-	40,000	-
Internal balances	31,051	(31,051)	-	-
Inventory	63,909	133,249	197,158	-
Restricted assets				
Cash and temporary investments	-	310,339	310,339	-
Capital assets				
Land	4,547,606	311,895	4,859,501	-
Capital assets, net of accumulated depreciation	7,158,143	14,999,480	22,157,623	-
Total assets	17,093,028	18,174,805	35,267,833	61,711
Liabilities				
Accounts payable	94,110	146,905	241,015	-
Accrued liabilities	290,471	171,238	461,709	-
Due to other governments	-	44,809	44,809	-
Deferred revenue	84,307	-	84,307	-
Noncurrent liabilities:				
Due within one year	500,301	275,000	775,301	-
Due in more than one year	4,454,821	4,376,372	8,831,193	-
Total liabilities	5,424,010	5,014,324	10,438,334	-
Net Assets				
Invested in capital assets, net of related debt	7,125,772	10,660,003	17,785,775	-
Restricted for:				
Major Streets	756,357	-	756,357	-
Local Streets	763,701	-	763,701	-
Jennings projects	4,059	-	4,059	-
Miller & Ahlgren projects	4,707	-	4,707	-
Riverwalk projects	39,071	-	39,071	-
Debt service	68,512	104,507	173,019	-
Playscape perpetual trust - nonexpendable	17,000	-	17,000	-
Playscape trust - expendable	1,672	-	1,672	-
Contributions	16,497	-	16,497	-
Unrestricted	2,871,670	2,395,971	5,267,641	61,711
Total net assets	\$ 11,669,018	\$ 13,160,481	\$ 24,829,499	\$ 61,711

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions / Programs</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary government					
Governmental activities:					
Legislative	\$ 77,192	\$ -	\$ -	\$ -	\$ (77,192)
General government	1,662,823	267,214	19,394	-	(1,376,215)
Public safety	2,604,570	199,279	254,495	1,322	(2,149,474)
Public works	1,595,742	133,658	737,736	32,643	(691,705)
Culture and recreation	900,196	234,473	19,796	306,813	(339,114)
Interest on debt	281,474	-	-	-	(281,474)
Total governmental activities	<u>7,121,997</u>	<u>834,624</u>	<u>1,031,421</u>	<u>340,778</u>	<u>(4,915,174)</u>
Business-type activities:					
Wastewater utility	1,272,185	1,605,625	-	-	333,440
Water utility	1,639,504	1,742,675	-	-	103,171
Transportation fund	347,035	60,736	160,888	-	(125,411)
Sanitation fund	745,658	770,655	-	-	24,997
Total business-type activities	<u>4,004,382</u>	<u>4,179,691</u>	<u>160,888</u>	<u>-</u>	<u>336,197</u>
Total primary government	<u>\$ 11,126,379</u>	<u>\$ 5,014,315</u>	<u>\$ 1,192,309</u>	<u>\$ 340,778</u>	<u>\$ (4,578,977)</u>
Component units					
Downtown Development Authority	<u>31,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,500)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

STATEMENT OF ACTIVITIES (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2004

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNIT
	ACTIVITIES	ACTIVITIES		DDA
Changes in net assets				
Net (expense) revenue	\$ (4,915,174)	\$ 336,197	\$ (4,578,977)	\$ (31,500)
General revenues:				
Property taxes	2,083,272	-	2,083,272	19,331
Property tax - debt service	119,749	-	119,749	-
Income taxes	1,814,042	-	1,814,042	-
State shared revenue	1,483,074	-	1,483,074	-
Investment earnings	27,227	(1,877)	25,350	500
Transfers - internal activities	285,400	(285,400)	-	-
Total general revenues and transfers	5,812,764	(287,277)	5,525,487	19,831
Change in net assets	897,590	48,920	946,510	(11,669)
Net assets, beginning of year, as restated	10,771,428	13,111,561	23,882,989	73,380
Net assets, end of year	\$ 11,669,018	\$ 13,160,481	\$ 24,829,499	\$ 61,711

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>		<u>TOTAL</u>
	<u>GENERAL</u>		
ASSETS			
Cash and temporary investments	\$ 1,577,025	\$ 2,018,538	\$ 3,595,563
Receivables:			
Accounts	154,494	85	154,579
Special assessments	5,921	37,262	43,183
Due from other funds	94,786	-	94,786
Due from other governmental units	343,119	272,053	615,172
Advances to other funds	40,000	-	40,000
Inventory	-	1,575	1,575
TOTAL ASSETS	\$ 2,215,345	\$ 2,329,513	\$ 4,544,858
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 87,599	\$ 2,771	\$ 90,370
Accrued liabilities	107,259	16,819	124,078
Due to other funds	-	63,735	63,735
Deferred revenue	90,228	37,262	127,490
TOTAL LIABILITIES	285,086	120,587	405,673
FUND BALANCE			
Fund balances:			
Reserved for:			
Capital projects	-	24,808	24,808
Debt service	-	68,512	68,512
Advances	40,000	-	40,000
Contributions	16,497	-	16,497
Restricted contributions	-	50,337	50,337
Permanent fund for playscope	-	18,672	18,672
Unreserved:			
Undesignated	1,873,762	-	1,873,762
Undesignated-special revenue funds	-	2,046,597	2,046,597
TOTAL EQUITY	1,930,259	2,208,926	4,139,185
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,215,345	\$ 2,329,513	\$ 4,544,858

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

JUNE 30, 2004

Fund balances - total governmental funds	\$ 4,139,185
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	11,027,094
Internal service funds are used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
Add - net assets of governmental activities accounted for in the internal service fund	1,499,242
Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - deferred revenue on special assessments receivable	43,183
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(255,145)
Deduct - bonds, loans and fee payable	(4,699,977)
Deduct - accrued interest on bonds payable	(84,564)
Net assets of governmental activities	<u>\$11,669,018</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES			
Taxes	\$ 4,018,233	\$ 119,749	\$ 4,137,982
Special assessments	16,942	-	16,942
Licenses and permits	24,065	-	24,065
Intergovernmental revenue:			
Federal	185,385	-	185,385
State	1,628,813	807,695	2,436,508
Charges for services	211,841	60,074	271,915
Fines and forfeits	108,317	129,617	237,934
Investment earnings	38,188	(4,231)	33,957
Rents and royalties	3,940	-	3,940
Other	40,439	338,117	378,556
TOTAL REVENUES	6,276,163	1,451,021	7,727,184
EXPENDITURES			
Current:			
Legislative	77,192	-	77,192
General government	1,835,316	-	1,835,316
Public safety	2,709,914	-	2,709,914
Public works	1,364,553	833,828	2,198,381
Recreation and cultural	351,336	558,010	909,346
Capital projects	-	303,207	303,207
Debt service:			
Principal retirement	133,661	195,000	328,661
Interest and fiscal charges	197,085	19,296	216,381
TOTAL EXPENDITURES	6,669,057	1,909,341	8,578,398
REVENUES OVER (UNDER) EXPENDITURES	(392,894)	(458,320)	(851,214)
OTHER FINANCING SOURCES (USES)			
Transfers in	758,437	853,000	1,611,437
Transfers (out)	(733,500)	(548,837)	(1,282,337)
TOTAL OTHER FINANCING SOURCES (USES)	24,937	304,163	329,100
NET CHANGES IN FUND BALANCES	(367,957)	(154,157)	(522,114)
FUND BALANCES, BEGINNING OF YEAR	2,298,216	2,363,083	4,661,299
FUND BALANCES, END OF YEAR	\$ 1,930,259	\$ 2,208,926	\$ 4,139,185

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (522,114)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	885,327
Deduct - depreciation expense	(302,215)
Deduct - loss on disposal of capital assets	(12,334)

Special assessments receivable are long-term in nature and are collectable over several
years. However the current receipts are reflected as revenues on the fund statements.

Deduct - special assessment receipts	13,733
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Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	343,661
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Internal service funds are used by management to charge the costs of certain
equipment usage to individual governmental funds. The net revenue (expense)
attributable to those funds is reported with governmental activities.

Add - income from governmental activities in internal service funds	289,678
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Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Add - changes in compensated absences	266,947
Add - accrued interest	(65,093)

Change in net assets of governmental activities	<u>\$ 897,590</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 3,869,400	\$ 3,852,300	\$ 4,018,233	\$ 165,933
Special assessments	25,000	25,000	16,942	(8,058)
Licenses and permits	38,300	24,300	24,065	(235)
Intergovernmental revenue:				
Federal	35,000	220,900	185,385	(35,515)
State	1,629,300	1,629,300	1,628,813	(487)
Charges for services	161,100	201,900	211,841	9,941
Fines and forfeits	121,100	121,100	108,317	(12,783)
Interest	50,300	77,600	38,188	(39,412)
Rents and royalties	3,300	3,300	3,940	640
Other	17,300	27,800	40,439	12,639
TOTAL REVENUES	5,950,100	6,183,500	6,276,163	92,663
EXPENDITURES				
Current:				
Legislative	83,300	83,300	77,192	6,108
General government	1,810,900	1,922,600	1,835,316	87,284
Public safety	2,359,600	2,713,700	2,709,914	3,786
Public works	968,300	2,197,900	1,364,553	833,347
Recreation and cultural	305,000	388,800	351,336	37,464
Debt service:				
Principal retirement	133,700	133,700	133,661	39
Interest and fiscal charges	198,200	198,200	197,085	1,115
TOTAL EXPENDITURES	5,859,000	7,638,200	6,669,057	969,143
REVENUES OVER (UNDER) EXPENDITURES	91,100	(1,454,700)	(392,894)	1,061,806
OTHER FINANCING SOURCES (USES)				
Transfers in	427,700	768,700	758,437	(10,263)
Transfers (out)	(687,200)	(733,500)	(733,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(259,500)	35,200	24,937	(10,263)
NET CHANGES IN FUND BALANCE	(168,400)	(1,419,500)	(367,957)	1,051,543
FUND BALANCES, BEGINNING OF YEAR	2,298,216	2,298,216	2,298,216	-
FUND BALANCES, END OF YEAR	\$ 2,129,816	\$ 878,716	\$ 1,930,259	\$ 1,051,543

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2004

ASSETS	WASTEWATER TREATMENT FUND	WATER FUND	TRANSPORTATION FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUNDS
CURRENT ASSETS						
Cash and temporary investments	\$ 1,561,123	\$ 398,881	\$ 99,940	\$ -	\$ 2,059,944	\$ 843,009
Accounts receivable	141,142	159,703	250	89,854	390,949	813
Inventory	-	128,498	4,751	-	133,249	62,334
TOTAL CURRENT ASSETS	1,702,265	687,082	104,941	89,854	2,584,142	906,156
NONCURRENT ASSETS						
Cash and temporary investments	-	310,339	-	-	310,339	-
CAPITAL ASSETS						
Land	31,288	280,607	-	-	311,895	-
Buildings	1,437,211	2,654,785	-	-	4,091,996	139,236
Machinery, equipment, other	9,963,707	11,489,935	682,445	-	22,136,087	1,973,438
	11,432,206	14,425,327	682,445	-	26,539,978	2,112,674
Less accumulated depreciation	5,371,971	5,529,995	326,637	-	11,228,603	1,434,019
TOTAL CAPITAL ASSETS	6,060,235	8,895,332	355,808	-	15,311,375	678,655
TOTAL ASSETS	7,762,500	9,892,753	460,749	89,854	18,205,856	1,584,811
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	48,882	38,837	802	58,384	146,905	3,740
Accrued liabilities	48,809	66,179	10,418	-	125,406	81,829
Due to other funds	-	-	-	31,051	31,051	-
Due to other governmental units	-	-	44,809	-	44,809	-
Current portion of bonds payable	115,000	-	-	-	115,000	-
TOTAL CURRENT LIABILITIES	212,691	105,016	56,029	89,435	463,171	85,569
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS						
Accrued liabilities	-	45,832	-	-	45,832	-
Current portion of bonds payable	-	160,000	-	-	160,000	-
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	-	205,832	-	-	205,832	-
OTHER LIABILITIES						
Long term portion of bonds payable	1,154,700	3,221,672	-	-	4,376,372	-
TOTAL LIABILITIES	1,367,391	3,532,520	56,029	89,435	5,043,375	85,569
NET ASSETS						
Investment in capital assets, net of related debt	4,790,535	5,513,660	355,808	-	10,660,003	678,655
Restricted:						
Replacement of fixed assets	999,055	-	-	-	999,055	-
Revenue bond retirement	-	104,507	-	-	104,507	-
Unrestricted	605,519	742,066	48,912	419	1,396,916	820,587
TOTAL NET ASSETS	\$ 6,395,109	\$ 6,360,233	\$ 404,720	\$ 419	\$ 13,160,481	\$ 1,499,242

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2004

	WASTEWATER TREATMENT FUND	WATER FUND	TRANSPORTATION FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES						
Charges for services	\$ 1,602,688	\$ 1,692,342	\$ 58,132	\$ 770,655	\$ 4,123,817	\$ 2,303,706
Other	2,937	50,333	-	-	53,270	16,371
TOTAL OPERATING REVENUES	1,605,625	1,742,675	58,132	770,655	4,177,087	2,320,077
OPERATING EXPENSES						
Wages and salaries	444,322	351,160	164,642	22,110	982,234	624,526
Employee benefits	107,667	97,559	35,533	-	240,759	246,539
Supplies	97,788	100,369	13,403	3,643	215,203	20,232
Gas and oil	-	-	15,797	-	15,797	48,471
Heat, power and lights	131,925	110,831	-	-	242,756	18,219
Repairs and maintenance	11,471	80,518	1,512	-	93,501	80,724
Rent	52,766	50,192	-	24,592	127,550	1,493
Contracted services	107,260	59,562	12,331	695,313	874,466	26,514
Professional fees	24,623	6,500	3,000	-	34,123	4,481
Depreciation	261,803	329,346	87,628	-	678,777	169,884
Insurance	27,244	23,644	10,743	-	61,631	730,598
Miscellaneous	121,668	58,406	2,446	-	182,520	8,288
TOTAL OPERATING EXPENSES	1,388,537	1,268,087	347,035	745,658	3,749,317	1,979,969
OPERATING INCOME (LOSS)	217,088	474,588	(288,903)	24,997	427,770	340,108
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	1,870	(3,254)	(493)	-	(1,877)	(6,730)
Interest and fiscal charges	(66,042)	(189,023)	-	-	(255,065)	-
Intergovernmental revenue:						
Federal	-	-	30,672	-	30,672	-
State	-	-	130,216	-	130,216	-
Other non-operating revenues	-	-	2,604	-	2,604	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(64,172)	(192,277)	162,999	-	(93,450)	(6,730)
NET INCOME (LOSS) BEFORE TRANSFERS	152,916	282,311	(125,904)	24,997	334,320	333,378
TRANSFERS						
Transfers in	-	-	79,500	-	79,500	-
Transfers (out)	(80,200)	(201,800)	(24,800)	(58,100)	(364,900)	(43,700)
TOTAL TRANSFERS	(80,200)	(201,800)	54,700	(58,100)	(285,400)	(43,700)
CHANGE IN NET ASSETS	72,716	80,511	(71,204)	(33,103)	48,920	289,678
NET ASSETS, BEGINNING OF YEAR	6,322,393	6,279,722	475,924	33,522	13,111,561	1,209,564
NET ASSETS, END OF YEAR	\$ 6,395,109	\$ 6,360,233	\$ 404,720	\$ 419	\$ 13,160,481	\$ 1,499,242

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	WASTEWATER TREATMENT FUND	WATER FUND	TRANSPORTATION FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ -	-	2,319,816
Receipts from customers and users	1,623,271	1,751,026	58,643	806,990	4,239,930	-
Payments to suppliers	(545,206)	(488,888)	(58,594)	(720,832)	(1,813,520)	(954,950)
Payments to employees	(555,486)	(453,589)	(237,529)	(22,110)	(1,268,714)	(867,753)
Net cash provided by (used in) operating activities	522,579	808,549	(237,480)	64,048	1,157,696	497,113
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Intergovernmental revenue:						
Federal	-	-	43,763	-	43,763	-
State	-	-	135,555	-	135,555	-
Other non-operating revenues	-	-	2,604	-	2,604	-
Repayment of balance due from other funds	-	-	-	-	-	186,410
Payment of balance due to other funds	-	-	-	(5,948)	(5,948)	-
Transfers in	-	-	79,500	-	79,500	-
Transfers (out)	(80,200)	(201,800)	(24,800)	(58,100)	(364,900)	(43,700)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(80,200)	(201,800)	236,622	(64,048)	(109,426)	142,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(163,816)	(43,387)	-	-	(207,203)	(116,316)
Principal paid on bonds	(180,000)	(150,000)	-	-	(330,000)	-
Interest and fiscal charges paid	(64,342)	(185,196)	-	-	(249,538)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(408,158)	(378,583)	-	-	(786,741)	(116,316)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned on investments	1,870	(3,254)	(493)	-	(1,877)	(6,730)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	36,091	224,912	(1,351)	-	259,652	516,777
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	1,525,032	484,308	101,291	-	2,110,631	326,232
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 1,561,123	\$ 709,220	\$ 99,940	\$ -	\$ 2,370,283	\$ 843,009
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 217,088	\$ 474,588	\$ (288,903)	\$ 24,997	\$ 427,770	\$ 340,108
Adjustments to reconcile net income (loss) to net cash provided by (used in) by operating activities:						
Depreciation	261,803	329,346	87,628	-	678,777	169,884
Changes in operating assets and liabilities which provided (used) cash:						
Accounts receivable	17,646	8,351	511	36,335	62,843	(261)
Inventory	-	(19,853)	-	-	(19,853)	9,393
Accounts payable	29,539	20,987	639	2,716	53,881	(38,886)
Accrued liabilities	(3,497)	(4,870)	(37,355)	-	(45,722)	16,875
Due to other governmental units	-	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 522,579	\$ 808,549	\$ (237,480)	\$ 64,048	\$ 1,157,696	\$ 497,113
Cash and temporary investments are classified on the balance sheet as follows:						
Current assets:						
Cash and temporary investments	\$ 1,561,123	\$ 398,881	\$ 99,940	\$ -	\$ 2,059,944	\$ 843,009
Restricted assets:						
Cash and temporary investments	-	310,339	-	-	310,339	-
	\$ 1,561,123	\$ 709,220	\$ 99,940	\$ -	\$ 2,370,283	\$ 843,009

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2004

	PENSION TRUST	AGENCY FUNDS
	ACT 345 RETIREMENT FUND	
<u>ASSETS</u>		
Cash and temporary investments	\$ 244,792	\$ 88,887
Investments		
Bonds and bond mutual fund	517,602	-
Stock and stock mutual fund	1,447,379	-
Other mutual funds	2,734,782	-
Accounts receivable	-	142,453
	<u>4,944,555</u>	<u>\$ 231,340</u>
<u>TOTAL ASSETS</u>		
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts payable	-	\$ 44,140
Due to other governmental units	-	147,200
Advances from other funds	-	40,000
	<u>-</u>	<u>\$ 231,340</u>
<u>TOTAL LIABILITIES</u>		
NET ASSETS		
Reserved for employees' pension benefits	<u>\$ 4,944,555</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF BIG RAPIDS

**ACT 345 RETIREMENT FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2004

ADDITIONS

Employer contributions	\$ 281,034
Employee contributions	<u>103,525</u>
Total contributions	<u>384,559</u>
Net investment earnings	<u>549,016</u>
TOTAL ADDITIONS	<u>933,575</u>

DEDUCTIONS

Benefits	446,815
Refunds of contributions	187,690
Administrative expenses	<u>9,408</u>
TOTAL DEDUCTIONS	<u>643,913</u>

CHANGE IN NET ASSETS 289,662

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

BEGINNING OF YEAR	<u>4,654,893</u>
END OF YEAR	<u>\$ 4,944,555</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Big Rapids (the "City") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City and its component unit, an entity for which the City is considered to be financially accountable.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements include the financial data of the City's component unit. This component unit provides services to the businesses located within the Downtown Development Authority District. This unit is reported in a separate column to emphasize that it is legally separate from the City.

Downtown Development Authority "(DDA)" - The Authority is comprised of individuals from the management of the City. The Board is appointed by the City Commission. The City Commission approves the Authority's budget and has the ability to significantly influence operations of the Downtown Development Authority. Financial statements are not separately issued for the Downtown Development Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. After March 1 of each year, the County pays the City and is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences payments are recorded only when payment is due.

Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The City considers these to be available if received within 90 days of year end to allow time to collect. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

Wastewater Treatment Fund – This enterprise fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on bonds which were used to finance improvements to the system which is complete.

Water Fund - The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are also used to pay principal and interest on bonds (other than the 1985 bond issue which is being repaid from a special tax levy for that purpose) which were used to finance improvements to the system.

Transportation Fund - This fund is used to account for the operation of the public transportation system. This fund received both Federal and State operating assistance. Intergovernmental assistance is calculated on varying percentages of the operating expenses. Federal and State sources also supply the buses which are used in the system.

Sanitation Fund - This fund is used to account for the activity of refuse collection and disposal services provided to City residents on a fee for service basis.

Additionally, the City reports the following fund types:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than perpetual trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – used to account for financial resources including bond proceeds used for the acquisition, renovation and construction of the City Hall and public safety building.

Permanent Fund - used to account for the activities of a permanent trust which provides income on the corpus of the fund for support of City activities.

Internal Service Funds - used to account for the financing of motor pool, D.P.W. and self-insurance services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis. The City is the primary participant in internal service fund activities.

Trust and Agency Funds - used to account for assets held by the City in a trustee or agency capacity for individuals, private organizations, other governments. These include the Act 345 Retirement pension trust and agency funds.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment amortization and insurance coverage. Operating expenses for the enterprise funds and internal service funds include wages, supplies, contracted services and depreciation on capital assets. Operating expenses for the internal service funds also include the cost of services (including claims). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are unavailable for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Process and Basis

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- ◆ The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a GAAP basis.
- ◆ Public hearings are conducted to obtain taxpayer comments.
- ◆ Prior to July 1, the budget is legally enacted through a Resolution passed by the City Commission.
- ◆ Budgetary integration is employed for the governmental fund types as a management control device.
- ◆ The budget and approved appropriations lapse at the end of the fiscal year.
- ◆ The City does not maintain a formal encumbrance accounting system.
- ◆ The budgets of the General, Special Revenue, Debt Service and Permanent Trust Funds are adopted on a Departmental/Activity account basis. Expenditures may not legally exceed the budgeted amounts by department for these funds. Expenditures may not legally exceed the budgeted total for the fund for Debt Service and the Permanent Trust Fund.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process and Basis (continued)

- ◆ Any revisions that alter the total expenditures of a Department/Activity (fund for permanent trust and Debt Service) require approval by the Commission. However, the City Manager is authorized to transfer budgeted amounts within a Department/Activity subject to the condition that the total expenditures, actual and projected, do not exceed the approved appropriations by Department/Activity, and that such transfers be reported to the Commission at the time of the monthly budget report.
- ◆ Comparisons to budget are presented as required by generally accepted accounting principles for all Governmental funds for which budgets were legally adopted.

Cash and Temporary Investments

For purposes of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

Investments

Investments are stated at fair value. Fair value for securities traded on a national exchange are valued at the last reported sales price. The net investment income reported includes the change in fair value of the investments. Earnings from investments are appropriately allocated to the investing fund based on the investment equity.

Restricted Assets

Certain water bond agreements require assets to be set aside for principal and interest repayment and other purposes. These assets are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balance is considered to be immaterial at year end.

Due to/from Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advances

Noncurrent portions of long-term interfund loans receivable in governmental funds are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market for proprietary and governmental funds. Inventory in governmental funds is accounted for using the consumption method (expensed when consumed).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added beginning in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Equipment	5-50
Public domain infrastructure	40

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Special assessment (General Fund)	\$ 5,921
Fire contracts (General Fund)	84,307
Special assessments (Local Streets)	<u>37,262</u>
	<u>\$127,490</u>

Net Assets/Fund Balance

Reserved fund balance/restricted net assets represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Property Taxes

Taxes are levied on July 1 and December 1. The City bills and collects its own property taxes, which become a lien on July 1, as well as the taxes for the county, school districts and other districts. Collections of taxes, together with remittances for the same, are accounted for in the Current Tax Agency Fund to March 1. At March 1, after the winter roll is levied, the county pays the City for all outstanding real property taxes and attaches an enforceable lien on the property. Consequently, there is no outstanding receivable for unpaid real property taxes at year end.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The City's income tax revenue is recorded using the modified accrual basis of accounting, with refunds paid being treated as a reduction of income tax revenue.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences

Compensated absences in total are recorded in the government-wide statements for employees of the Governmental Funds. Compensated absences are not expected to be liquidated with expendable available financial resources. Consequently, no portion of the liability is reported on the balance sheets of the Governmental Funds. Compensated absences are accounted for as a liability in the Proprietary Funds.

Pension Plans

The City contributes to four pension plans. The City accounts for its Act 345 Pension Plan reported in the Pension Trust Fund under Government Accounting Standards Board (GASB) Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 25 concerning Financial Reporting for Defined Benefit Pension Plans. The other Plans, an agent multiple-employer defined benefit and two defined contribution plans, also follow GASB defined requirements.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget Violations

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended 2004, expenditures were incurred in excess of the amounts appropriated in the amended budget of the general fund of the City. Over expenditures were as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Police	\$1,555,600	\$1,569,821	(14,221)
Fire	799,500	802,779	(3,279)

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fiduciary fund statement related to deposits and investments, are as follows:

	Govern- mental Activities	Business- Type Activities	DDA	<u>Fiduciary Funds</u>		Total
				Pension Trust	Agency Funds	
Cash and temporary investments	\$4,438,572	\$2,059,944	\$61,711	\$ 244,792	\$88,887	\$ 6,893,906
Investments	-	-	-	4,699,763	-	4,699,763
Restricted assets - cash and temporary investments	-	310,339	-	-	-	310,339
	<u>\$4,438,572</u>	<u>\$2,370,283</u>	<u>\$61,711</u>	<u>\$4,944,555</u>	<u>\$88,887</u>	<u>\$11,904,008</u>

Deposits

At year-end, the book and bank balance of the City's deposits were classified as to risk as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured	\$ 500,000	\$ 500,000
Uninsured - uncollateralized	<u>2,265,737</u>	<u>2,587,576</u>
	<u>\$2,765,737</u>	<u>\$3,087,576</u>

Investments

Statutes authorize the City to invest in the following:

- ◆ Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Bankers acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through 12/31/97.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Act 345, PA 1937 sets forth the investment authority for the Act 345 Retirement Trust. The Act designates the City Treasurer as custodian of funds and authorizes the investment of funds "subject to all the terms, conditions, limitations and restrictions imposed by the statutes of this state upon life insurance companies in making and disposing of their investments, and as provided by law relating to investment authority of public employee retirement systems".

Consequently, two separate and distinct levels of authority exist for City investments. The City's investments are in accordance with statutory authority.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Securities held by the City are reported at fair value.

The City's investments are in accordance with statutory authority as follows:

	<u>Category at Fair Value</u>			<u>Total Carrying/ Fair Value</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
U.S. Government securities	\$1,720,121			\$1,720,121
Corporate bonds	61,661			61,661
Corporate stocks	<u>536,950</u>			<u>536,950</u>
Total	<u>\$2,318,732</u>			
Uncategorized as to risk:				
Mutual funds				<u>6,819,539</u>
Total investments				<u>\$9,138,271</u>

The City's investments in mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4. INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at June 30, 2004 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$94,786	\$ -
Sanitation Fund	-	31,051
Nonmajor Governmental Funds	<u>-</u>	<u>63,735</u>
	<u>\$94,786</u>	<u>\$94,786</u>

Interfund balances primarily reflect loans made from funds with cash and pooled investment balances to those funds requiring additional cash flow. At year end the General fund had lent the Riverwalk fund \$63,735 to cover short-term cash flow needs until their grant reimbursement is received.

5. ADVANCES TO/FROM OTHER FUNDS

The following amounts are interfund advances of a long-term nature between funds:

	<u>Advances To</u>	<u>Advances From</u>
General Fund	\$40,000	\$ -
Fiduciary Funds:		
Payroll Agency Fund	<u>-</u>	<u>40,000</u>
	<u>\$40,000</u>	<u>\$40,000</u>

Advances reflect a long-term loan from the general fund to the payroll fund for cash flow purposes.

This long-term loan is not expected to be repaid in fiscal year 2005.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. INTERFUND TRANSACTIONS

Operating transfers in and out for the year ended June 30, 2004 are as follows:

	General	Nonmajor	Transportatio n Fund	Total Transfers Out
	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	
General Fund	\$ -	\$654,000	\$79,500	\$ 733,500
Nonmajor Funds	447,837	101,000	-	548,837
Wastewater Treatment Fund	80,200	-	-	80,200
Water Fund	103,800	98,000	-	201,800
Transportation Fund	24,800	-	-	24,800
Sanitation Fund	58,100	-	-	58,100
Internal Service Funds	<u>43,700</u>	<u>-</u>	<u>-</u>	<u>43,700</u>
Total transfers in	<u>\$758,437</u>	<u>\$853,000</u>	<u>\$79,500</u>	<u>\$1,690,937</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization and (2) allocate overhead costs to funds which are provided by the general fund.

For the 2004 fiscal year, the general fund made transfers to subsidize the operations of various nonmajor funds. Remaining transfers represent payments to the general fund to provide for administrative services and facilities.

7. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,547,606	\$ -	\$ -	\$4,547,606
Construction in progress	<u>1,052,060</u>	<u>-</u>	<u>(1,052,060)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>5,599,666</u>	<u>-</u>	<u>(1,052,060)</u>	<u>4,547,606</u>
Capital assets, being depreciated:				
Buildings	8,039,355	1,355,266	(7,162)	9,387,459
Equipment	4,078,734	275,541	(202,113)	4,152,162
Infrastructure	<u>803,580</u>	<u>422,895</u>	<u>-</u>	<u>1,226,475</u>
Total capital assets being depreciated	<u>12,921,669</u>	<u>2,053,702</u>	<u>(209,275)</u>	<u>14,766,096</u>

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

7. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Governmental activities (Continued):				
Less accumulated depreciation for:				
Buildings	\$ 4,804,836	\$79,661	\$ -	\$4,884,497
Equipment	2,527,959	363,691	(196,941)	2,694,709
Infrastructure	-	28,747	-	28,747
Total accumulated depreciation	<u>7,332,795</u>	<u>472,099</u>	<u>(196,941)</u>	<u>7,607,953</u>
Total capital assets, being depreciated, net	<u>5,588,874</u>	<u>1,581,603</u>	<u>(12,334)</u>	<u>7,158,143</u>
Governmental activities capital assets, net	<u>\$11,188,540</u>	<u>\$1,581,603</u>	<u>\$(1,064,394)</u>	<u>\$11,705,749</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 296,607	\$ 15,288	\$ -	\$ 311,895
Construction in progress	188,652	-	(188,652)	-
Total capital assets, not being depreciated	<u>485,259</u>	<u>15,288</u>	<u>(188,652)</u>	<u>311,895</u>
Capital assets, being depreciated:				
Buildings	4,109,422	-	(17,426)	4,091,996
Equipment	22,102,136	395,855	(361,904)	22,136,087
Total capital assets, being depreciated	<u>26,211,558</u>	<u>395,855</u>	<u>(379,330)</u>	<u>26,228,083</u>
Less accumulated depreciation for:				
Buildings	1,945,815	205,958	(80,221)	2,071,552
Equipment	8,968,052	472,819	(283,820)	9,157,051
Total accumulated depreciation	<u>10,913,867</u>	<u>678,777</u>	<u>(364,041)</u>	<u>11,228,603</u>
Total capital assets, being depreciated, net	<u>15,297,691</u>	<u>(282,919)</u>	<u>(15,292)</u>	<u>14,999,480</u>
Business-type activities capital assets, net	<u>\$15,782,950</u>	<u>(267,631)</u>	<u>(203,944)</u>	<u>\$15,311,375</u>

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

7. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 42,468
Public safety	139,210
Public works	33,313
Culture and recreation	87,224
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>169,884</u>

Total depreciation expense – governmental activities	<u>\$472,099</u>
-------------------------------------------------------------	-------------------------

Business-type activities:

Wastewater	\$261,803
Water	329,346
Transportation	<u>87,628</u>

Total depreciation expense – business-type activities	<u>\$678,777</u>
--------------------------------------------------------------	-------------------------

8. LONG-TERM DEBT

Prior Year Refunding

In 1992, the City issued \$2,365,000 in general obligation bonds to advance refund the 1985 Water Plant Refunding Bonds totaling \$2,270,000. The proceeds of the refunding issue and an additional contribution of the City were used to purchase U.S. Government Securities. Those Securities were deposited in a trust with an escrow agent to provide for all future debt payments of the 1985 Series Bonds. The maturities of these investments coincide with the principal and interest payment dates of the extinguished debt and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2004, \$225,000 of bonds outstanding are considered defeased.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

8. LONG-TERM DEBT (CONTINUED)

Bonds

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. Details of the various issues and obligations are as follows:

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2004</u>	<u>Due Within One Year</u>
Business-type activities:					
Water Supply System Revenue Bonds, 1999 issue of \$2,820,000 are due in annual installments of \$85,000 to \$225,000 through 2019; interest at 4.3 to 5.4%. (This issue is being serviced, principal and interest, by the Water Enterprise Fund).	\$2,550,000	\$ -	\$(95,000)	\$2,455,000	\$100,000
Wastewater Treatment System Limited Tax bonds, 1987 issue of \$750,000 are due in annual installments of \$15,000 to \$75,000 through 2003; interest is not to exceed 10% per annum. (This issue is being serviced, principal and interest, by the Wastewater Treatment Enterprise Fund).	75,000	-	(75,000)	-	-
Wastewater Treatment System Revenue Bonds, 1993 issue of \$2,000,000 are due in annual installments of \$75,000 to \$175,000 through 2012; interest at 5%. (This issue is being serviced, principal and interest, by the Wastewater Treatment Enterprise Fund).	1,390,000	-	(105,000)	1,285,000	115,000
Water Supply System Revenue Bonds, 1995 issue of \$1,360,000 are due in annual installments of \$40,000 to \$110,000 through 2015; interest at 4.5 to 5.25%. (This issue is being serviced, principal and interest, by the Water Enterprise Fund).	1,035,000	-	(55,000)	980,000	60,000
Total before unamortized issuance costs and discounts	5,050,000	-	(330,000)	4,720,000	275,000
Unamortized issuance costs and discounts	(74,155)	-	5,527	(68,628)	-
Total	<u>\$4,975,845</u>	<u>\$ -</u>	<u>\$(324,473)</u>	<u>\$4,651,372</u>	<u>\$275,000</u>

CITY OF BIG RAPIDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

8. LONG-TERM DEBT (CONTINUED)

	July 1, 2003	Additions	Deletions	June 30, 2004	Due Within One Year
Governmental activities:					
Water Supply System General Obligation Refunding bonds, 1992 issue of \$2,365,000 are due in annual installments of \$75,000 to \$220,000 through 2004; interest at 3.4 to 6.35%. (This issue is being serviced, principal and interest, by the Debt Service Fund).	\$ 395,000	\$ -	\$(195,000)	\$ 200,000	\$200,000
Cumulative Cemetery Fee Payable to Big Rapids Charter Township, payable in annual installments of \$15,000 (adjusted annually by the CPI index) with no interest, through November 1, 2011 (See Note 13). (This contribution is serviced by the General Fund - City Commission Department).	135,000	-	(15,000)	120,000	15,000
Fire Truck Loan, 1998 issue of \$212,961, due in semi-annual installments of \$15,000 to \$20,000 through 2004; interest at 4.40%	58,638	-	(38,661)	19,977	19,977
2001 Unlimited Tax General Obligation Bonds, 2001 issue of \$4,500,000 are due in annual installments of \$45,000 to \$465,000 through 2021; interest at 4.375%. (This issue is being serviced, principle and interest, by the General Fund.)	4,455,000	-	(95,000)	4,360,000	110,000
Vested Benefits - as discussed in Note 1, the City has recorded accumulated employee compensated absences for employees.	522,092	3,176	(270,123)	255,145	155,324
Total Other Long-Term Debt	\$5,565,730	\$3,176	\$(613,784)	\$4,955,122	\$500,301

The water supply system GO refunding bonds have been serviced from the debt service fund while remaining debt has been serviced from the general fund.

For the governmental activities, vested benefits are generally liquidated by the general fund. The annual debt service requirements to maturity for outstanding long-term debt, exclusive of vested benefits, are as follows:

Year Ended June 30,	General Obligation Debt		Enterprise Fund Debt		Total Requirements
	Principal	Interest	Principal	Interest	
2005	\$ 344,977	\$ 197,543	\$ 275,000	\$ 236,419	\$ 1,053,939
2006	135,000	185,938	285,000	222,188	828,126
2007	150,000	180,688	300,000	207,311	837,999
2008	160,000	174,782	320,000	191,286	846,068
2009	180,000	168,438	340,000	173,987	862,425
2010-2014	1,145,000	718,592	1,805,000	593,712	4,262,304
2015-2019	1,690,000	429,624	1,170,000	207,345	3,496,969
2020-2021	895,000	59,500	225,000	6,075	1,185,575
Total	\$4,699,977	\$2,115,105	\$4,720,000	\$1,838,323	\$13,373,405

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9. RESTRICTIONS/FUND BALANCES RESERVES AND DESIGNATIONS

NONMAJOR GOVERNMENTAL FUNDS

Restricted Contributions (Library)	\$ 2,500
Restricted Contributions (Jennings)	4,059
Restricted Contributions (Miller & Ahlgren)	4,707
Restricted Contributions (Riverwalk)	39,071
Capital Projects	24,808
Debt Service	68,512
Restricted Contribution (Playscape Corpus)	17,000
Restricted Contributions (Playscape)	1,672
	<u>\$162,329</u>

10. DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLANS

Plan Descriptions

The City of Big Rapids participates in the following defined benefit and defined contribution pension plans:

<u>Plan Name</u>	<u>Plan Type</u>
Michigan Municipal Employees Retirement System (MERS)	Agent Multiple-Employer Public Employee Retirement System (PERS)
Policemen and Firemen's Retirement System (Michigan Public Act 345 of 1937, as amended)	Self-administered Single-Employer Public Employee Retirement System (PERS) reported in the Pension Trust Fund

All City employees are eligible to participate in these Plans; however, the City Manager has chosen not to participate. Employees of the Big Rapids Housing Commission are included in the MERS Plan. The Housing Commission is not a component unit of the City. The City's participants in the MERS Plan are categorized into two divisions: General, which includes supervisors, office and clerical workers, Dial-A-Ride, and Housing Commission employees; and Local 1865, which includes the DPW, Motor Pool and Water-Sewer-Sanitation Plant System employees. The City's participants in the Act 345 Plan include the police and fire department bargaining unit employees and supervisory personnel.

Municipal Employees Retirement System of Michigan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering certain City employees. The City also participates in a defined contribution plan administered by the MERS. The Systems are administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the defined benefit plan participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10. DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLANS (CONTINUED)

The City is required to contribute at an actuarially determined rate; the current year amount was \$190,144. Participating employees are required to contribute 0% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2004, the City's annual pension cost of \$190,144 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2000 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$123,816	100%	\$ -
2003	148,227	100%	-
2004	190,144	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$6,098,142	\$6,356,176	\$ 258,034	96%	\$1,740,077	15%
12/31/02	6,059,038	7,280,022	1,220,984	83%	1,842,805	66%
12/31/03	6,428,409	8,246,156	1,817,747	78%	1,822,436	100%

The defined contribution provisions of the MERS plan requires the City to contribute 8% of annual covered payroll. Participants direct their investments under the defined contribution provision and the City does not have a fiduciary responsibility for the defined contribution plan. Therefore, the assets held under this provision of this plan are not reflected in these financial statements.

The City contributed \$39,129 to the MERS defined contribution plan in accordance with requirements established and which can be modified by the City Commission. Employees contributed \$19,386 to the plan.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10. DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLANS (CONTINUED)

Act 345 Plan

The City has a single-employer defined benefit and defined contribution retirement plan which provides pension, death and disability benefits to policemen and firemen. Act 345 assigns the authority to establish and amend benefit provisions and contribution requirements to the City, subject to the terms of collective bargaining agreements. Plan members are required to contribute 6% of their annual covered salary depending on the applicable collective bargaining agreement and/or unit assignment. The City is required to contribute at an actuarially determined rate; the current amount of \$167,862 was contributed to the defined benefit plan. Effective July 1, 1998, the City amended this plan to require all new hires from that date forward to be excluded from the defined benefit plan provision and be eligible for participation in the defined contribution provision of the plan. At that time, participants in the defined benefit provision of the plan were allowed the option to convert their balances to the defined contribution option.

The defined contribution provision of the plan requires the City to contribute 7% of annual covered payroll. In addition, the City must match 1/3 of the participant's contribution, up to 2% of the participant's compensation. The participant may contribute up to 33 1/3% of their compensation not to exceed \$7,500.

Participants direct their investments under the defined contribution provision and the City does not have a fiduciary responsibility for the defined contribution plan. Therefore, the assets held under this provision in this plan are not reflected in these financial statements.

The City contributed \$113,172 and employees contributed \$69,763 to the defined contribution plan.

Membership of the Act 345 defined benefit plan consisted of the following at the date of the latest actuarial valuation (June 30, 2004 for the Act 345 Plan):

	<u>ACT 345</u>
Retirees and beneficiaries receiving benefits	19
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	<u>7</u>
Total	<u>27</u>
Number of participating employers	<u>1</u>

This plan is closed to new participants.

The City's annual pension cost and net retirement benefits obligation for the current year were as follows:

Annual required contribution / pension cost	\$167,862
Contributions made	<u>167,862</u>
Net pension obligation, end of year	<u>\$ -</u>

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10. DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLANS (CONTINUED)

The annual required contribution for the current year was determined as part of the June 30, 2000, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on investments of 7.0% per year compounded annually; (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0% to 3% per year, depending on age and service, attributable to seniority/merit; and (d) the assumptions that pension benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four year period using a level percent of payroll. The latest actuarial valuation was performed as of June 30, 2004. The unfunded actuarial liability is amortized as level percent-of-payroll on an open basis over a 12 year period.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Retirement Benefit Cost (ARBC)</u>	<u>Percentage of ARBC Contributed</u>	<u>Net Retirement Benefit Obligation</u>
12/31/02	\$ 82,486	100%	\$ -
12/31/03	102,454	100%	-
12/31/04	167,862	100%	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section in this report.

A stand-alone financial report of the Act 345 defined benefit Plan has not been issued.

11. ECONOMIC DEPENDENCY

Ferris State University is a major customer of the City's Wastewater, Water and Sanitation services. During the year ended June 30, 2004, revenue attributable to charges for these services was recognized in the City's Wastewater, Water and Sanitation funds in the amount of \$504,443, \$555,118 and \$123,022, respectively.

12. SELF-INSURANCE PLAN

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City is covered for liability and property insurance through the Michigan Municipal Liability and Property Pool. The City's contributions to the Pool are combined with other member contributions to provide each member with coverage for liability and property claims. Funds not needed to pay claims or maintain reserves are either distributed to the members or credited toward future contributions. The amount of settlements has not exceeded insurance coverage for the commercial insurance or of the Pool for any of the past three years.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12. SELF-INSURANCE PLAN (CONTINUED)

Effective July 1, 1995, the City is self-funded for medical, dental, optical and disability insurance. The claims liability of \$15,363 reported at June 30, 2004 is based on the requirements of Statement No. 10 of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the self-insurance internal service fund. An independent administrator is contracted to process the daily claims. An excess coverage insurance policy covers individual claims in excess of \$30,000. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year. The changes in the claims liability for the years ended June 30, 2004, 2003 and 2002 were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2002	\$44,375	\$905,129	\$909,130	\$40,347
2003	40,347	905,450	906,900	38,897
2004	38,897	716,724	740,258	15,363

13. DETACHMENT SETTLEMENT

As a result of an election on May 14, 1991, a total of 1,124 acres of City property was detached from the City and transferred to the adjoining Big Rapids Charter Township. Various real property owned by the City of Big Rapids (airport, community swimming pool and cemetery) are located in the detached area. Ownership of the cemetery transferred to the Township by operation of law at the date of detachment.

Negotiations between the City and the Township regarding other City property, apportionment of City assets and debt, and other issues resulted in a Mutual Settlement Agreement between the two units on October 20, 1992. As a result of the settlement, no apportionment of City assets and debt as of the date of detachment was made; the City retained ownership of the airport and swimming pool; and state shared revenues received by the City arising from the detached area from May 14, 1991 to June 30, 1992 were paid to the Township (total amount of \$43,499). State revenue sharing is allocated to the City and Township based on corrected population after that date.

CITY OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

13. DETACHMENT SETTLEMENT (CONTINUED)

The City also agreed via the Mutual Settlement Agreement to pay the Township an annual fee of \$15,000 beginning November 1, 1992 and continuing for twenty years (increased or decreased annually in proportion to the change in the Consumer Price Index (CPI) each year - or five percent, if lower). At the end of twenty years, the City will begin paying an annual fee equal to one-half of the annual cost of operating the cemetery at that time and then as adjusted for the CPI for the next twenty years with recomputation of the one-half of expenses at the end of each subsequent twenty-year period. The City's obligation shall continue to perpetuity or until the Township is permanently relieved of its obligation to operate and maintain the cemetery.

The \$19,968 fee paid in the current year is reported as an expenditure under the legislative function. The City's remaining obligation is reported in the statement of net assets in the governmental activities column), (total amount of \$120,000). No implicit interest was computed under the assumption that the annual change in the CPI will effectively equate to an interest rate that reflects inflation over the time period. No liability has been recorded for amounts payable after the initial twenty-year commitment.

14. RESTATEMENT

Beginning net assets of the City's Governmental activities were increased by \$133,042 to recognize additional capital assets at July 1, 2003

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

SCHEDULE OF FUNDING PROGRESS
(DOLLARS AMOUNTS IN MILLIONS)

ACT 345 PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b)-(a) (c)
6/30/95	\$4.8	\$5.4	\$0.6	88.9%	\$0.9	66.7%
6/30/96	5.1	5.6	0.5	91.1	0.9	55.6
6/30/97	5.6	6.0	0.4	93.3	1.0	40.0
6/30/98	4.7	5.0	0.3	94.0	0.5	60.0
6/30/99	5.2	5.4	0.2	96.3	0.4	50.0
6/30/00	5.4	5.4	0.0	100.0	0.4	0.0
6/30/01	5.4	5.4	0.0	100.0	0.4	0.0
6/30/02	5.3	5.3	0.0	100.0	0.4	0.0
6/30/03	5.1	5.1	0.0	100.0	0.4	0.0

After changes in benefit provisions or revised actuarial assumptions.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contributions	Percent Contributed
1994	\$199,269	\$200,000	100%
1995	192,299	200,000	104
1996	184,178	200,000	108
1997	200,000	200,000	100
1998	200,000	200,000	100
1999	113,072	113,072	100
2000	91,671	134,817	100
2001	88,542	84,529	100
2002	76,143	82,486	100
2003	102,454	106,981	104
2004	167,862	167,862	106

CITY OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

ACT 345 PLAN

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level over future working lifetime
Remaining amortization period	12 years
Asset valuation method	4 year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	5.0% - 8.0%
Cost-of-living adjustments	N.A.
Assumed rate of membership growth	0%

* Includes inflation at	5.0%
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**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCEHDULES**

GENERAL FUND

CITY OF BIG RAPIDS, MICHIGAN

GENERAL FUND

DESCRIPTION OF FUND

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general government activities of the City, which are financed by property tax levies, by distribution of State revenues, and by revenues from various municipal activities and services, are recorded in this fund. Costs for City administration are accounted for in this fund. The other operating funds make contributions to the General Fund for overhead or administrative costs which are allocated to each fund. These contributions are reported as Transfers in.

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
TAXES				
Property taxes	\$ 2,106,400	\$ 2,089,300	\$ 2,073,074	\$ (16,226)
Payments in lieu of taxes	8,000	8,000	9,164	1,164
Trailer taxes	1,000	1,000	1,034	34
City income taxes (net)	1,650,000	1,650,000	1,814,042	164,042
Interest and penalties	26,000	26,000	41,087	15,087
Collection fees	78,000	78,000	79,832	1,832
TOTAL TAXES	3,869,400	3,852,300	4,018,233	165,933
SPECIAL ASSESSMENTS	25,000	25,000	16,942	(8,058)
LICENSES AND PERMITS				
Business licenses	1,000	1,000	945	(55)
Building permits	15,000	1,000	965	(35)
Zoning ordinance permits	-	-	300	300
Housing rental licenses	22,000	22,000	21,505	(495)
Dog licenses	100	100	90	(10)
Other licenses	200	200	260	60
TOTAL LICENSES AND PERMITS	38,300	24,300	24,065	(235)
INTERGOVERNMENTAL REVENUE				
Federal grant - Police programs	35,000	58,800	95,798	36,998
State grant - Police	3,800	3,800	3,978	178
Federal grant - Fire	-	22,000	56,944	34,944
State grant - Fire	70,000	70,000	79,970	9,970
Federal grant - Public Works	-	140,100	32,643	(107,457)
State grant - Public Works	-	-	28,740	28,740
State shared revenue:				
Sales tax	1,500,000	1,500,000	1,474,131	(25,869)
Liquor licenses	9,500	9,500	8,943	(557)
Other income	46,000	46,000	33,051	(12,949)
TOTAL INTERGOVERNMENTAL REVENUE	1,664,300	1,850,200	1,814,198	(36,002)
CHARGES FOR SERVICES				
First responders	18,000	28,000	31,494	3,494
Planning and zoning fees	3,300	3,300	2,865	(435)
Township fire contracts	78,700	87,300	96,444	9,144
Police department	10,600	25,600	16,463	(9,137)
Franchise fees - TCI	24,000	24,000	31,366	7,366
Recreation program	25,000	28,200	28,060	(140)
Other	1,500	5,500	5,149	(351)
TOTAL CHARGES FOR SERVICES	161,100	201,900	211,841	9,941
FINES AND FORFEITS				
Ordinance fines	75,000	75,000	50,304	(24,696)
Court ordered reimbursement	3,500	3,500	9,813	6,313
Parking violations	29,000	29,000	30,995	1,995
Parking meter violations	800	800	114	(686)
Parking meter collections	10,000	10,000	14,221	4,221
Other	2,800	2,800	2,870	70
TOTAL FINES AND FORFEITS	121,100	121,100	108,317	(12,783)

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES (CONTINUED)				
INTEREST	\$ 50,300	\$ 77,600	\$ 38,188	\$ (39,412)
RENTS AND ROYALTIES				
Parking lot rental	2,900	2,900	2,640	(260)
Rental of city property	400	400	1,300	900
TOTAL RENTS AND ROYALTIES	3,300	3,300	3,940	640
OTHER REVENUE				
Refunds	1,000	1,000	15,732	14,732
Miscellaneous	16,300	26,800	24,707	(2,093)
TOTAL OTHER REVENUE	17,300	27,800	40,439	12,639
TOTAL REVENUES	5,950,100	6,183,500	6,276,163	92,663
EXPENDITURES				
CURRENT				
LEGISLATIVE				
City Commission	83,300	83,300	77,192	6,108
GENERAL GOVERNMENT				
Mayor's Office	5,300	5,300	4,601	699
City Manager	137,000	130,400	130,394	6
Elections	7,700	4,000	2,904	1,096
Assessor	126,600	139,100	119,578	19,522
City Attorney	142,400	155,200	154,870	330
City Clerk	292,400	293,500	284,992	8,508
City Treasurer	375,900	385,800	380,992	4,808
Income Tax	77,600	76,300	74,225	2,075
Information Management	315,900	381,700	341,330	40,370
Public Buildings	81,500	113,600	110,194	3,406
Neighborhood Services	241,900	234,000	228,102	5,898
Plan Board	6,700	3,700	3,134	566
TOTAL GENERAL GOVERNMENT	1,810,900	1,922,600	1,835,316	87,284
PUBLIC SAFETY				
Police	1,355,600	1,555,600	1,569,821	(14,221)
Fire	722,400	799,500	802,779	(3,279)
Public Safety	281,600	358,600	337,314	21,286
TOTAL PUBLIC SAFETY	2,359,600	2,713,700	2,709,914	3,786

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES (CONTINUED)				
PUBLIC WORKS				
Public Service	\$ 335,400	\$ 344,200	\$ 338,474	\$ 5,726
Sidewalks, Alleys and Storm Sewers	306,500	1,371,900	668,432	703,468
Parking	48,300	204,500	95,302	109,198
City Engineer	219,300	219,800	214,642	5,158
City Decorations	58,800	57,500	47,703	9,797
TOTAL PUBLIC WORKS	968,300	2,197,900	1,364,553	833,347
RECREATION AND CULTURAL				
Parks	265,100	348,900	318,981	29,919
Recreation Program	39,900	39,900	32,355	7,545
TOTAL RECREATION AND CULTURAL	305,000	388,800	351,336	37,464
DEBT SERVICE				
Principal	133,700	133,700	133,661	39
Interest	198,200	198,200	197,085	1,115
TOTAL DEBT SERVICE	331,900	331,900	330,746	1,154
TOTAL EXPENDITURES	5,859,000	7,638,200	6,669,057	969,143
REVENUES OVER (UNDER) EXPENDITURES	91,100	(1,454,700)	(392,894)	1,061,806
OTHER FINANCING SOURCES (USES)				
Transfers in	427,700	768,700	758,437	(10,263)
Transfers (out)	(687,200)	(733,500)	(733,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(259,500)	35,200	24,937	(10,263)
NET CHANGES IN FUND BALANCE	(168,400)	(1,419,500)	(367,957)	1,051,543
FUND BALANCE, BEGINNING OF YEAR	2,298,216	2,298,216	2,298,216	-
FUND BALANCE, END OF YEAR	\$ 2,129,816	\$ 878,716	\$ 1,930,259	\$ 1,051,543

(Concluded)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
LEGISLATIVE				
City Commission:				
Salaries	\$ 12,000	\$ 12,000	\$ 12,243	\$ (243)
Employer - FICA	900	900	938	(38)
Insurance:				
Workers compensation	100	100	100	-
Travel	200	200	1,694	(1,494)
Community promotion	4,000	4,000	2,455	1,545
DBA	5,000	5,000	5,000	-
Convention/visitor's bureau	1,000	1,000	-	1,000
County economic development	25,000	25,000	25,000	-
Membership dues	7,200	7,200	6,828	372
Cemetery contribution	20,100	20,100	19,968	132
Meetings	200	200	66	134
Miscellaneous	7,600	7,600	2,900	4,700
TOTAL LEGISLATIVE	83,300	83,300	77,192	6,108
GENERAL GOVERNMENT				
Mayor's Office:				
Salaries	3,500	3,500	3,500	-
Employer - FICA	300	300	268	32
Insurance:				
Workers compensation	100	100	100	-
Travel	900	900	733	167
Miscellaneous	500	500	-	500
Total Mayor's Office	5,300	5,300	4,601	699
City Manager:				
Salaries	101,600	85,000	93,137	(8,137)
Employer - FICA	7,900	7,900	5,842	2,058
Insurance:				
Health insurance	10,800	10,800	10,800	-
Reimbursement	600	600	765	(165)
Unemployment compensation	100	100	42	58
Workers compensation	300	300	300	-
Supplies	500	500	213	287
Contracted services	2,000	2,000	-	2,000
Travel	1,500	7,500	6,913	587
Community promotions	1,500	1,500	488	1,012
Employee/Board member recognition	7,500	7,500	7,696	(196)
Membership dues	1,500	2,500	1,675	825
Luncheon/Dinner meetings	1,000	1,000	355	645
Equipment and furniture	-	3,000	2,168	832
Repairs	100	100	-	100
Miscellaneous	100	100	-	100
Total City Manager	137,000	130,400	130,394	6

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
Elections:				
Salaries	\$ 6,500	\$ 2,800	\$ 2,616	\$ 184
Supplies	500	500	270	230
Equipment rental	200	200	18	182
Miscellaneous	500	500	-	500
Total Elections	7,700	4,000	2,904	1,096
Assessor:				
Salaries	76,400	76,400	76,524	(124)
Employer - FICA	5,700	5,700	5,675	25
Insurance:				
Health insurance	16,200	16,200	16,200	-
Reimbursement	1,200	1,200	1,200	-
Unemployment compensation	100	100	20	80
Workers compensation	700	700	700	-
Retirement	4,600	6,100	5,772	328
Supplies	2,500	2,500	1,106	1,394
Contracted services	16,000	16,000	10,740	5,260
Travel	1,000	900	58	842
Repairs and maintenance	400	400	-	400
Subscriptions	300	400	405	(5)
Membership dues	300	300	125	175
Luncheon/Dinner Meetings	100	100	83	17
Board of review/appeals	1,100	12,100	970	11,130
Total Assessor	126,600	139,100	119,578	19,522
City Attorney:				
Salaries	41,200	41,200	41,741	(541)
Employer - FICA	3,200	3,200	2,923	277
Insurance:				
Health insurance	10,800	10,800	10,800	-
Reimbursement	600	600	600	-
Unemployment compensation	100	100	10	90
Workers compensation	100	100	100	-
Retirement	2,300	2,300	3,061	(761)
Supplies	2,600	2,600	2,750	(150)
Travel	500	500	593	(93)
Legal fees	81,000	93,800	92,292	1,508
Total City Attorney	142,400	155,200	154,870	330

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
City Clerk:				
Salaries	\$ 143,700	\$ 148,400	\$ 143,207	\$ 5,193
Employer - FICA	11,000	11,000	11,074	(74)
Insurance:				
Health insurance	11,000	11,000	11,000	-
Reimbursement	3,600	3,600	5,198	(1,598)
Unemployment compensation	100	100	30	70
Workers compensation	500	500	500	-
Retirement	7,400	10,000	10,369	(369)
Supplies	14,700	14,500	13,338	1,162
Safety activities	1,000	1,000	-	1,000
Insurance coverage	73,400	67,200	64,835	2,365
Travel	2,500	2,500	2,377	123
Personnel costs	6,000	9,000	9,654	(654)
Printing and publishing	3,000	3,000	1,314	1,686
Public notices	8,000	8,000	9,539	(1,539)
Repairs and maintenance	200	200	-	200
Subscriptions	1,400	1,400	1,109	291
Membership dues	600	600	545	55
Luncheon/Dinner Meetings	300	300	59	241
Contracted service	3,000	-	-	-
Equipment and furniture	1,000	1,200	844	356
Total City Clerk	292,400	293,500	284,992	8,508
City Treasurer:				
Salaries	257,600	259,600	258,164	1,436
Employer - FICA	19,700	19,700	18,542	1,158
Insurance:				
Health insurance	43,400	43,400	43,400	-
Reimbursement	5,400	3,600	3,520	80
Unemployment compensation	200	200	66	134
Workers compensation	800	800	800	-
Retirement	14,700	18,400	18,528	(128)
Supplies	11,000	12,700	11,845	855
Contracted services	500	400	338	62
Audit fees	17,000	22,000	21,827	173
Travel	2,000	3,300	3,157	143
Repairs and maintenance	400	-	-	-
Subscriptions	300	300	269	31
Membership dues	600	600	500	100
Refunds and rebates	2,000	500	-	500
Meetings	300	300	36	264
Total City Treasurer	375,900	385,800	380,992	4,808

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
Income Tax:				
Salaries	\$ 59,200	\$ 59,200	\$ 59,171	\$ 29
Employer - FICA	4,600	4,600	4,622	(22)
Insurance:				
Health insurance	500	500	500	-
Reimbursement	2,400	2,400	1,901	499
Unemployment compensation	100	100	23	77
Workers compensation	100	100	100	-
Retirement	3,300	3,800	3,663	137
Supplies	6,000	4,200	3,634	566
Travel	600	600	32	568
Subscriptions	600	600	579	21
Total Income Tax	77,600	76,300	74,225	2,075
Information Management:				
Salaries	99,200	99,200	99,033	167
Employer - FICA	7,600	7,600	7,512	88
Insurance:				
Health insurance	5,500	5,500	5,500	-
Reimbursement	1,200	1,200	659	541
Unemployment compensation	100	100	20	80
Workers compensation	800	900	900	-
Retirement	5,300	7,100	7,183	(83)
Supplies	8,000	11,000	10,273	727
Contracted services	7,500	2,700	75	2,625
Telephone system	30,000	30,000	36,628	(6,628)
Travel	1,500	1,000	-	1,000
On-site training	-	22,800	-	22,800
Repairs and maintenance	68,000	70,000	62,345	7,655
Postage	20,000	21,000	20,216	784
Membership dues	700	700	180	520
Meetings	500	400	278	122
Hardware	35,000	39,300	38,299	1,001
Software	25,000	61,200	52,229	8,971
Total Information Management	315,900	381,700	341,330	40,370
Public Buildings:				
Salaries	12,200	29,300	30,288	(988)
Supplies and materials	5,000	14,800	12,948	1,852
Contracted services	25,000	25,000	22,015	2,985
Utilities	29,000	34,000	32,151	1,849
Repairs and maintenance	2,000	3,100	2,178	922
Equipment rental	1,000	5,000	6,647	(1,647)
Real estate property tax p.o.	3,000	-	1,659	(1,659)
Equipment and furniture	4,300	2,400	2,308	92
Total Public Buildings	81,500	113,600	110,194	3,406

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
Neighborhood Services:				
Salaries	\$ 162,700	\$ 152,300	\$ 151,052	\$ 1,248
Employer - FICA	12,400	11,600	11,611	(11)
Insurance:				
Health insurance	32,400	32,400	32,400	-
Reimbursement	2,400	4,200	4,140	60
Unemployment compensation	100	100	65	35
Workers compensation	900	900	900	-
Retirement	11,400	11,700	11,146	554
Supplies	1,000	2,000	1,950	50
Uniforms	500	500	116	384
Contracted services	6,000	-	-	-
Abatement services	3,000	3,000	847	2,153
Travel	1,000	2,100	2,249	(149)
Equipment and furniture	1,000	100	92	8
Refunds and rebates	100	100	-	100
Equipment rental	1,500	1,500	1,608	(108)
Subscriptions	100	500	415	85
Membership dues	200	700	659	41
Miscellaneous	5,200	10,300	8,852	1,448
Total Neighborhood Services	241,900	234,000	228,102	5,898
Plan Board:				
Salaries	1,100	1,100	768	332
Employer - FICA	100	100	-	100
Supplies	100	100	25	75
Contracted services	2,000	-	-	-
Travel	2,000	1,000	941	59
Membership dues	1,400	1,400	1,400	-
Total Plan Board	6,700	3,700	3,134	566
TOTAL GENERAL GOVERNMENT	1,810,900	1,922,600	1,835,316	87,284

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
PUBLIC SAFETY				
Police:				
Salaries	\$ 796,500	\$ 901,800	\$ 931,532	\$ (29,732)
Employer - FICA	62,300	62,300	69,501	(7,201)
Insurance:				
Health insurance	162,500	162,500	162,500	-
Reimbursement	10,200	10,200	11,585	(1,385)
Unemployment compensation	500	500	248	252
Workers compensation	12,000	11,200	11,200	-
Act 345 retirement system	46,600	100,000	92,552	7,448
Defined contribution	65,700	65,700	72,388	(6,688)
Supplies	14,000	25,400	25,406	(6)
Uniforms	13,900	13,900	13,107	793
Contracted services	24,200	24,500	12,814	11,686
Educational materials	4,000	4,000	3,648	352
Rifle range	600	600	-	600
Insurance coverage	20,100	30,600	30,569	31
Medical examinations	1,600	1,600	1,550	50
Travel	2,000	4,000	3,860	140
In-Service training	11,400	8,400	7,854	546
Repairs and maintenance	15,000	13,700	7,227	6,473
Equipment rental	76,500	76,500	77,239	(739)
Membership dues	400	400	135	265
Subscriptions	300	300	237	63
Towing	200	200	50	150
Special projects	6,500	4,000	3,410	590
Equipment and furniture	8,600	33,300	31,209	2,091
Total Police	1,355,600	1,555,600	1,569,821	(14,221)
Fire:				
Salaries	457,800	\$ 465,700	\$ 489,245	\$ (23,545)
Employer - FICA	36,700	36,700	36,373	327
Insurance:				
Health insurance	81,500	81,500	81,500	-
Reimbursement	7,200	5,400	5,607	(207)
Unemployment compensation	300	300	89	211
Workers compensation	11,000	11,000	9,006	1,994
Act 345 retirement system	10,600	18,400	16,644	1,756
Defined contribution	39,700	41,000	40,785	215
Supplies	19,900	19,900	17,666	2,234
Uniforms	10,400	10,200	7,670	2,530
Oil and lubricants	800	800	627	173
Insurance coverage	10,300	7,100	7,036	64
Food allowance	6,700	9,300	9,270	30
Contracted services	1,200	1,200	737	463
Medical examinations	2,600	100	24	76
Travel	5,100	4,000	1,536	2,464
Utilities	1,000	1,000	213	787
Tornado warning system	300	300	168	132
Repairs and maintenance	3,700	3,700	918	2,782
Equipment rental	6,000	6,000	5,582	418
Subscriptions	800	800	-	800
Membership dues	600	600	590	10
Mass destruction project	-	58,400	58,391	9
Equipment and furniture	8,200	16,100	13,102	2,998
Total Fire	722,400	799,500	802,779	(3,279)

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2003

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public Safety:				
Salaries	\$ 167,900	\$ 168,100	\$ 167,948	\$ 152
Employer - FICA	12,900	12,900	12,309	591
Insurance:				
Health insurance	21,700	21,700	21,700	-
Reimbursement	1,800	1,800	1,800	-
Unemployment compensation	100	100	30	70
Workers compensation	1,200	1,200	1,200	-
Act 345 retirement system	36,300	61,300	58,665	2,635
Defined contribution	1,800	2,400	2,437	(37)
Supplies	1,400	1,400	1,509	(109)
Travel	2,000	2,000	1,334	666
In-Service training	800	800	495	305
Subscriptions	100	-	-	-
Membership dues	400	500	462	38
Luncheon/Dinner meetings	300	300	247	53
Facilities	11,600	35,600	34,631	969
Contracted services	21,300	20,800	24,887	(4,087)
Equipment and furniture	-	27,700	7,660	20,040
Total Public Safety	281,600	358,600	337,314	21,286
TOTAL PUBLIC SAFETY	2,359,600	2,713,700	2,709,914	3,786
PUBLIC WORKS				
Public service:				
Salaries	162,600	162,600	162,319	281
Employer - FICA	12,500	12,500	12,092	408
Insurance:				
Health insurance	32,400	32,400	32,400	-
Reimbursement	1,800	1,800	2,063	(263)
Unemployment compensation	100	100	30	70
Workers compensation	1,100	1,100	1,068	32
Retirement	8,700	11,600	11,788	(188)
Supplies and materials	3,500	3,400	3,348	52
Contracted services	5,500	11,400	9,305	2,095
Engineering services	10,000	13,800	13,812	(12)
Travel	3,200	2,200	2,158	42
Street lighting	72,000	69,500	68,175	1,325
Repairs and maintenance	800	800	700	100
Equipment rental	19,800	19,800	18,223	1,577
Subscriptions	100	100	-	100
Membership dues	900	900	880	20
Luncheon/Dinner meetings	300	200	113	87
Equipment and furniture	100	-	-	-
Total Public Service	335,400	344,200	338,474	5,726
Sidewalks, Alleys and Storm Sewers:				
Salaries	20,500	20,500	40,502	(20,002)
Supplies and materials	8,000	8,000	6,646	1,354
Contracted services	1,000	1,000	450	550
Project costs	277,000	1,342,400	620,834	721,566
Total Sidewalks, Alleys and Storm Sewers	306,500	1,371,900	668,432	703,468
Parking:				
Salaries	17,400	17,400	22,888	(5,488)
Supplies and materials	5,100	8,200	2,831	5,369
Contracted services	15,800	168,900	41,572	127,328
Equipment rental	10,000	10,000	28,011	(18,011)
Total Parking	48,300	204,500	95,302	109,198

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2003

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
City Engineering:				
Salaries	\$ 147,100	\$ 147,100	\$ 151,718	\$ (4,618)
Employer - FICA	11,500	11,500	11,563	(63)
Health insurance	18,500	18,500	18,500	-
Reimbursement	1,800	1,800	1,350	450
Unemployment compensation	100	100	30	70
Workers compensation	2,000	2,100	2,089	11
Retirement	9,300	11,700	11,315	385
Supplies and materials	2,500	1,400	1,882	(482)
Contracted services	7,500	7,500	4,491	3,009
Travel	3,500	4,500	4,001	499
Repairs and maintenance	900	-	-	-
Equipment rental	11,100	11,100	6,405	4,695
Subscriptions	100	100	-	100
Membership dues	200	200	115	85
Luncheon/Dinner meetings	200	200	95	105
Equipment and furniture	3,000	2,000	1,088	912
Total Engineering	219,300	219,800	214,642	5,158
City decorations:				
Salaries	28,100	25,100	17,011	8,089
Employer - FICA	200	200	-	200
Supplies	6,000	7,700	7,610	90
Contracted services	4,000	4,000	4,862	(862)
MOARC/Cleaning	5,000	5,000	3,894	1,106
Utilities	5,500	5,500	4,550	950
Equipment rental	10,000	10,000	9,776	224
Total City Decorations	58,800	57,500	47,703	9,797
TOTAL PUBLIC WORKS	968,300	2,197,900	1,364,553	833,347
RECREATION AND CULTURAL				
Parks:				
Salaries	107,500	106,000	111,757	(5,757)
Employer - FICA	1,500	1,500	1,144	356
Insurance:				
Unemployment compensation	100	100	30	70
Workers compensation	-	400	336	64
Supplies and materials	11,000	31,600	25,619	5,981
Contracted services	500	13,200	5,125	8,075
Utilities	18,000	18,000	12,995	5,005
Repairs and maintenance	5,500	8,300	5,393	2,907
Equipment rental	60,000	60,000	96,697	(36,697)
Membership dues	400	400	395	5
Project costs	55,100	103,900	54,908	48,992
Equipment & Furniture	5,500	5,500	4,582	918
Total Parks	265,100	348,900	318,981	29,919

(Continued)

CITY OF BIG RAPIDS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2003

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Recreation Program:				
Salaries	\$ 25,900	\$ 25,900	\$ 21,223	\$ 4,677
Employer - FICA	1,200	1,200	1,788	(588)
Insurance:				
Unemployment compensation	100	100	14	86
Workers compensation	600	700	686	14
Supplies	4,300	4,200	2,120	2,080
Contracted services	7,600	7,600	6,449	1,151
Refunds and rebates	200	200	75	125
Total Recreation Program	39,900	39,900	32,355	7,545
TOTAL RECREATION AND CULTURAL	305,000	388,800	351,336	37,464
Debt Service				
Principal	133,700	133,700	133,661	39
Interest	198,200	198,200	197,085	1,115
Total Debt Service	331,900	331,900	330,746	1,154
TOTAL EXPENDITURES	\$ 5,859,000	\$ 7,638,200	\$ 6,669,057	\$ 969,143

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF BIG RAPIDS, MICHIGAN

SPECIAL REVENUE FUNDS

DESCRIPTION OF FUNDS

SPECIAL REVENUE FUNDS

Major and Local Street Funds - These funds are used to account for the receipt and expenditures of State shared gas and weight taxes under Act 51, P.A. 1951 as amended. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets. The City of Big Rapids has approximately 25.00 miles of local streets, 14.41 miles of major streets and 5.52 miles of trunk lines. These funds can be used for both maintenance and construction.

Library Fund - This fund is used to account separately for activities of the City Library.

Pool - This fund is used to account for revenues and expenditures resulting from pool operations.

Roben-Hood Airport - This fund is used to account for the revenues and expenditures of airport operations.

Jennings Fund - This fund is used to account for donations and income which is legally restricted for the purpose of the gift which supports City activities.

Miller and Ahlgren - This fund was established in May 1986. The donors have assisted the City to obtain a historical marker designating Swede Hill as a memorial commemorating the Scandinavian heritage and memory of early Big Rapids settlers.

Riverwalk Fund - This fund is used to account for donations and expenditures related to the City Riverwalk.

CAPITAL PROJECTS

Capital Projects- This fund is used to account for the accumulation and disbursement of resources for the construction of capital assets.

DEBT SERVICE

Debt Service Fund - This fund is used to account for the accumulation of resources and the payment of debt service costs.

PERMANENT FUND

Playscape Fund - This fund is used to account for donations and expenditures related to the City Playscape Park for which only the interest on the corpus may be expended.

CITY OF BIG RAPIDS

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2004

ASSETS	SPECIAL REVENUE FUNDS				
	MAJOR STREETS	LOCAL STREETS	LIBRARY	POOL	ROBEN-HOOD AIRPORT
Cash and temporary investments	\$ 615,831	\$ 698,230	\$ 187,513	\$ 268,899	\$ 127,257
Accounts receivable	-	-	-	-	85
Special assessments receivable	-	37,262	-	-	-
Inventory	-	-	-	-	1,575
Due from other governmental units	141,038	28,209	-	-	-
TOTAL ASSETS	\$ 756,869	\$ 763,701	\$ 187,513	\$ 268,899	\$ 128,917
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 512	\$ -	\$ 450	\$ 538	\$ 1,221
Accrued liabilities	-	-	5,678	11,141	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	37,262	-	-	-
TOTAL LIABILITIES	512	37,262	6,128	11,679	1,221
FUND BALANCES					
Reserved for capital projects	-	-	-	-	-
Reserved for restricted contributions	-	-	2,500	-	-
Reserved for debt service	-	-	-	-	-
Reserved for permanent trust corpus	-	-	-	-	-
Reserved for permanent trust purpose	-	-	-	-	-
Unreserved - undesignated	756,357	726,439	178,885	257,220	127,696
TOTAL FUND BALANCES	756,357	726,439	181,385	257,220	127,696
TOTAL LIABILITIES AND FUND BALANCES	\$ 756,869	\$ 763,701	\$ 187,513	\$ 268,899	\$ 128,917

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS	DEBT SERVICE	PERMANENT FUND		TOTAL						
JENNINGS	MILLER & AHLGREN	RIVERWALK			PLAYSCAPE								
\$	4,059	\$	4,707	\$	-	\$	24,808	\$	68,562	\$	18,672	\$	2,018,538
	-		-		-		-		-		-		85
	-		-		-		-		-		-		37,262
	-		-		-		-		-		-		1,575
	-		-		102,806		-		-		-		272,053
\$	4,059	\$	4,707	\$	102,806	\$	24,808	\$	68,562	\$	18,672	\$	2,329,513
\$	-	\$	-	\$	-	\$	-	\$	50	\$	-	\$	2,771
	-		-		-		-		-		-		16,819
	-		-		63,735		-		-		-		63,735
	-		-		-		-		-		-		37,262
	-		-		63,735		-		50		-		120,587
	-		-		-		24,808		-		-		24,808
	4,059		4,707		39,071		-		-		-		50,337
	-		-		-		-		68,512		-		68,512
	-		-		-		-		-		17,000		17,000
	-		-		-		-		-		1,672		1,672
	-		-		-		-		-		-		2,046,597
	4,059		4,707		39,071		24,808		68,512		18,672		2,208,926
\$	4,059	\$	4,707	\$	102,806	\$	24,808	\$	68,562	\$	18,672	\$	2,329,513

CITY OF BIG RAPIDS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	MAJOR STREETS	LOCAL STREETS	LIBRARY	POOL	ROBEN-HOOD AIRPORT
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
State	619,742	168,157	19,796	-	-
Charges for services	-	-	3,971	21,562	34,541
Fines and forfeits	-	-	129,617	-	-
Investment earnings	(958)	4,877	1,155	199	834
Other	353	14,229	6,297	6,604	3,821
TOTAL REVENUES	619,137	187,263	160,836	28,365	39,196
EXPENDITURES					
Current:					
Public works:					
Highways and streets	357,703	476,125	-	-	-
Recreation and cultural	-	-	297,946	91,615	168,449
Capital projects	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
TOTAL EXPENDITURES	357,703	476,125	297,946	91,615	168,449
REVENUES OVER (UNDER) EXPENDITURES	261,434	(288,862)	(137,110)	(63,250)	(129,253)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	301,000	173,100	70,300	135,000
Transfers (out)	(148,500)	(28,800)	(28,400)	-	(22,600)
TOTAL OTHER FINANCING SOURCES (USES)	(148,500)	272,200	144,700	70,300	112,400
NET CHANGES IN FUND BALANCES	112,934	(16,662)	7,590	7,050	(16,853)
FUND BALANCES, BEGINNING OF YEAR	643,423	743,101	173,795	250,170	144,549
FUND BALANCES, END OF YEAR	\$ 756,357	\$ 726,439	\$ 181,385	\$ 257,220	\$ 127,696

SPECIAL REVENUE FUNDS				CAPITAL PROJECTS	DEBT SERVICE	PERMANENT FUND	TOTAL						
JENNINGS	MILLER & AHLGREN	RIVERWALK	PLAYSCAPE										
\$	-	\$	-	\$	-	\$	119,749	\$	-	\$	119,749		
	-		-		-		-		-		807,695		
	-		-		-		-		-		60,074		
	-		-		-		-		-		129,617		
	13		18		562		386		63		(4,231)		
	-		-		-		-		-		338,117		
	13		18		295,433		562		120,135		63	1,451,021	
	-		-		-		-		-		833,828		
	-		-		-		-		-		558,010		
	-		-		303,207		-		-		303,207		
	-		-		-		195,000		-		195,000		
	-		-		-		19,296		-		19,296		
	-		-		303,207		214,296		-		1,909,341		
	13		18		295,433		(302,645)		(94,161)		63	(458,320)	
	-		-		9,600		66,000		98,000		-	853,000	
	-		-		(320,537)		-		-		-	(548,837)	
	-		-		(310,937)		66,000		98,000		-	304,163	
	13		18		(15,504)		(236,645)		3,839		63	(154,157)	
	4,046		4,689		54,575		261,453		64,673		18,609	2,363,083	
\$	4,059	\$	4,707	\$	39,071	\$	24,808	\$	68,512	\$	18,672	\$	2,208,926

CITY OF BIG RAPIDS
NONMAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS											
	MAJOR STREETS				LOCAL STREETS				LIBRARY			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:												
State	533,000	581,600	619,742	38,142	157,800	157,800	168,157	10,357	16,400	19,900	19,796	(104)
Charges for services	-	-	-	-	-	-	-	-	-	2,500	3,971	1,471
Fines and forfeits	-	-	-	-	-	-	-	-	135,500	135,500	129,617	(5,883)
Interest	10,000	10,000	(958)	(10,958)	5,100	18,100	4,877	(13,223)	2,000	5,100	1,155	(3,945)
Other	-	-	353	353	-	-	14,229	14,229	2,600	2,600	6,297	3,697
TOTAL REVENUES	543,000	591,600	619,137	27,537	162,900	175,900	187,263	11,363	159,000	165,600	160,836	(4,764)
EXPENDITURES												
Current:												
Public works:												
Highways and streets	769,300	833,400	357,703	475,697	477,300	928,700	476,125	452,575	-	-	-	-
Recreation and cultural	-	-	-	-	-	-	-	-	300,300	348,100	297,946	50,154
Debt Service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	769,300	833,400	357,703	475,697	477,300	928,700	476,125	452,575	300,300	348,100	297,946	50,154
REVENUES OVER (UNDER) EXPENDITURES	(226,300)	(241,800)	261,434	503,234	(314,400)	(752,800)	(288,862)	463,938	(141,300)	(182,500)	(137,110)	45,390
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	301,000	301,000	301,000	-	173,100	173,100	173,100	-
Transfers (out)	(148,500)	(148,500)	(148,500)	-	(28,800)	(28,800)	(28,800)	-	(28,400)	(28,400)	(28,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	(148,500)	(148,500)	(148,500)	-	272,200	272,200	272,200	-	144,700	144,700	144,700	-
NET CHANGES IN FUND BALANCES	(374,800)	(390,300)	112,934	503,234	(42,200)	(480,600)	(16,662)	463,938	3,400	(37,800)	7,590	45,390
FUND BALANCES, BEGINNING OF YEAR	643,423	643,423	643,423	-	743,101	743,101	743,101	-	173,795	173,795	173,795	-
FUND BALANCES, END OF YEAR	\$ 268,623	\$ 253,123	\$ 756,357	\$ 503,234	\$ 700,901	\$ 262,501	\$ 726,439	\$ 463,938	\$ 177,195	\$ 135,995	\$ 181,385	\$ 45,390

(Continued)

CITY OF BIG RAPIDS
NONMAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS											
	POOL				ROBBIN-HOOD AIRPORT				JENNINGS			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:												
State	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	22,000	22,000	21,562	(438)	33,600	43,600	34,541	(9,059)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	2,000	6,500	199	(6,301)	2,000	2,000	834	(1,166)	100	200	13	(187)
Other	2,800	6,700	6,604	(96)	4,200	4,200	3,821	(379)	-	-	-	-
TOTAL REVENUES	26,800	35,200	28,365	(6,835)	39,800	49,800	39,196	(10,604)	100	200	13	(187)
EXPENDITURES												
Current:												
Public works:												
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural	104,400	106,000	91,615	14,385	152,100	175,100	168,449	6,651	-	-	-	-
Debt Service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	104,400	106,000	91,615	14,385	152,100	175,100	168,449	6,651	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(77,600)	(70,800)	(63,250)	7,550	(112,300)	(125,300)	(129,253)	(3,953)	100	200	13	(187)
OTHER FINANCING SOURCES (USES)												
Transfers in	70,300	70,300	70,300	-	135,000	135,000	135,000	-	-	-	-	-
Transfers (out)	-	-	-	-	(22,600)	(22,600)	(22,600)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	70,300	70,300	70,300	-	112,400	112,400	112,400	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(7,300)	(500)	7,050	7,550	100	(12,900)	(16,853)	(3,953)	100	200	13	(187)
FUND BALANCES, BEGINNING OF YEAR	250,170	250,170	250,170	-	144,549	144,549	144,549	-	4,046	4,046	4,046	-
FUND BALANCES, END OF YEAR	\$ 242,870	\$ 249,670	\$ 257,220	\$ 7,550	\$ 144,649	\$ 131,649	\$ 127,696	\$ (3,953)	\$ 4,146	\$ 4,246	\$ 4,059	\$ (187)

(Continued)

CITY OF BIG RAPIDS
NONMAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS											
	MILLER & AHLGREN				RIVERWALK				1998 DEBT SERVICE FUND			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,300	\$ 121,100	\$ 119,749	\$ (1,351)
Intergovernmental revenue:												
State	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	100	200	18	(182)	-	-	(11,380)	(11,380)	1,000	1,000	386	(614)
Other	-	-	-	-	-	851,800	306,813	(544,987)	-	-	-	-
TOTAL REVENUES	100	200	18	(182)	-	851,800	295,433	(556,367)	120,300	122,100	120,135	(1,965)
EXPENDITURES												
Current:												
Public works:												
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural	100	100	-	100	-	-	-	-	-	-	-	-
Debt Service:												
Principal retirement	-	-	-	-	-	-	-	-	195,000	195,000	195,000	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	21,800	21,800	19,296	2,504
TOTAL EXPENDITURES	100	100	-	100	-	-	-	-	216,800	216,800	214,296	2,504
REVENUES OVER (UNDER) EXPENDITURES	-	100	18	(82)	-	851,800	295,433	(556,367)	(96,500)	(94,700)	(94,161)	539
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	9,600	9,600	-	98,000	98,000	98,000	-
Transfers (out)	-	-	-	-	-	(323,800)	(320,537)	3,263	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(314,200)	(310,937)	3,263	98,000	98,000	98,000	-
NET CHANGES IN FUND BALANCES	-	100	18	(82)	-	537,600	(15,504)	(553,104)	1,500	3,300	3,839	539
FUND BALANCES, BEGINNING OF YEAR	4,689	4,689	4,689	-	54,575	54,575	54,575	-	64,673	64,673	64,673	-
FUND BALANCES, END OF YEAR	\$ 4,689	\$ 4,789	\$ 4,707	\$ (82)	\$ 54,575	\$ 592,175	\$ 39,071	\$ (553,104)	\$ 66,173	\$ 67,973	\$ 68,512	\$ 539

(Continued)

CITY OF BIG RAPIDS

NONMAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2004

PERMANENT FUND

PLAYSCAPE

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
State	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	500	600	63	(537)
Other	-	-	-	-
TOTAL REVENUES	500	600	63	(537)
EXPENDITURES				
Current:				
Public works:				
Highways and streets	-	-	-	-
Recreation and cultural	1,400	1,400	-	1,400
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	1,400	1,400	-	1,400
REVENUES OVER (UNDER) EXPENDITURES	(900)	(800)	63	863
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGES IN FUND BALANCES	(900)	(800)	63	863
FUND BALANCES, BEGINNING OF YEAR	18,609	18,609	18,609	-
FUND BALANCES, END OF YEAR	\$ 17,709	\$ 17,809	\$ 18,672	\$ 863

(Concluded)

ENTERPRISE FUND
TRANSPORTATION FUND SCHEDULES

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2004

	July 1, 2003 to September 30, 2003	October 1, 2003 to June 30, 2004	Total
Charges for services - fares	\$ 11,603	\$ 35,664	\$ 47,267
Other revenues	400	10,465	10,865
Total operating revenues	\$ 12,003	\$ 46,129	\$ 58,132

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF NONOPERATING REVENUES AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2004

	July 1, 2003 to September 30, 2003	October 1, 2003 to June 30, 2004	Total
Interest on investments	\$ 234	\$ (727)	\$ (493)
Federal Operating Grants			
U.S. Department of Transportation - Section 5311			
Grant 01-0014 FY 01 reconciliation operating	-	1,521	1,521
Grant 02-0019/Z2 FY 03 operating - decrease in accrual	-	(5,010)	(5,010)
Grant 02-0019/Z3 FY 03 operating	5,794	2,986	8,780
Grant 02-0019/Z5 FY 04 operating - increase deferral	-	(329)	(329)
Grant 02-0019/Z5 FY 04 operating	-	24,818	24,818
Rural Transportation Assistance Program	-	892	892
State of Michigan Operating Grants			
Statutory Operating Assistance	36,581	106,726	143,307
Statutory Operating Assistance - increase deferral	-	(13,091)	(13,091)
Other Nonoperating Revenues	-	2,604	2,604
Operating transfer from local unit	-	79,500	79,500
TOTAL NONOPERATING REVENUES	\$ 42,609	\$ 199,890	\$ 242,499

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF OPERATING EXPENSES AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2004

	OPERATIONS	MAINTENANCE	GENERAL ADMINI- STRATION	TOTAL SYSTEM
LABOR				
Operators' salaries and wages	\$ 95,184	\$ 5,235	\$ -	\$ 100,419
Other salaries and wages	5,420	-	5,296	10,716
Dispatchers' salaries and wages	47,116	-	6,391	53,507
FRINGE BENEFITS	33,976	499	1,058	35,533
SERVICES				
Other services	-	1,859	3,000	4,859
MATERIALS AND SUPPLIES CONSUMED				
Fuel and lubricants	15,696	101	-	15,797
Other materials and supplies	10,589	14,588	24,800	49,977
UTILITIES	2,099	-	-	2,099
CASUALTY AND LIABILITY COSTS				
Premiums for public liability and property damage insurance	10,743	-	-	10,743
MISCELLANEOUS EXPENSES				
Other miscellaneous	-	210	347	557
DEPRECIATION AND AMORTIZATION	-	-	87,628	87,628
TOTAL EXPENSES	\$ 220,823	\$ 22,492	\$ 128,520	\$ 371,835

CITY OF BIG RAPIDS
TRANSPORTATION FUND
NET ELIGIBLE COSTS COMPUTATION OF
GENERAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004

	FEDERAL SECTION 5311		STATE OPERATING ASSISTANCE	
	July 1, 2003 to September 30, 2003	October 1, 2003 to June 30, 2004	July 1, 2003 to September 30, 2004	October 1, 2003 to June 30, 2004
EXPENSES				
Labor	\$ 35,186	\$ 129,456	\$ 35,186	\$ 129,456
Fringe benefits	5,671	29,862	5,671	29,862
Services	1,512	3,347	1,512	3,347
Materials and supplies	5,954	59,820	5,954	59,820
Utilities	544	1,555	544	1,555
Casualty and liability	10,743	-	10,743	-
Miscellaneous	64	493	64	493
Depreciation	21,190	66,438	21,190	66,438
TOTAL EXPENSES	80,864	290,971	80,864	290,971
INELIGIBLE EXPENSES				
Depreciation	(21,190)	(66,438)	(21,190)	(66,438)
Audit fees	-	-	-	(3,000)
RTAP reimbursement	-	(892)	-	(892)
ADD BACK				
Depreciation on equipment purchased with operating revenue	-	-	-	-
TOTAL INELIGIBLE EXPENSES	(21,190)	(67,330)	(21,190)	(70,330)
TOTAL ELIGIBLE EXPENSES	\$59,674	\$223,641	59,674	220,641
 Maximum Section 5311 Reimbursement (10.95%)/(10.95%)	 \$ 6,534	 \$ 24,489	 (6,534)	 (24,489)
 Eligible for State Operating Assistance			 \$ 53,140	 \$ 196,152
 Maximum State Operating Assistance Reimbursement (42.93%)/(42.24%)			 \$ 22,813	 \$ 82,855
 Amount received to June 30, 2004		 24,818	 36,581	 109,755
 Receivable (Payable)		 \$ (329)	 \$ (13,768)	 \$ (26,900)

CITY OF BIG RAPIDS

TRANSPORTATION FUND SECTION 5311 OPERATING ASSISTANCE

**FOR THE PRIOR PERIOD OCTOBER 1, 2002
THROUGH SEPTEMBER 30, 2003
FOR THE YEAR ENDED JUNE 30, 2004**

	10/01/02 to 06/30/03 FYE 06/30/03	07/01/03 to 09/30/03 FYE 06/30/04	TOTAL
EXPENSES			
Labor	\$ 183,573	\$ 35,186	\$ 218,759
Fringe benefits	27,581	5,671	33,252
Services	34,920	1,512	36,432
Materials and supplies	26,106	5,954	32,060
Utilities	1,455	544	1,999
Casualty and liability	-	10,743	10,743
Miscellaneous	554	64	618
Depreciation	63,252	21,190	84,442
TOTAL EXPENSES	337,441	80,864	418,305
INELIGIBLE EXPENSES			
Depreciation	(63,252)	(21,190)	(84,442)
RTAP reimbursement	-	-	-
ADD BACK			
Depreciation on equipment purchased with operating revenue	240	-	240
TOTAL INELIGIBLE EXPENSES	(63,012)	(21,190)	(84,202)
TOTAL ELIGIBLE EXPENSES	\$ 274,429	\$ 59,674	\$ 334,103
SECTION 5311 REIMBURSEMENT (10.95%)	\$ 30,050	\$ 6,534	\$ 36,584
MAXIMUM AWARD PER CONTRACT			\$ 34,766
AMOUNT RECEIVED FOR THE ABOVE EXPENSES	\$ 25,986	\$ 8,780	\$ 34,766
AMOUNT DUE FROM MICHIGAN DEPARTMENT OF TRANSPORTATION			\$ -

CITY OF BIG RAPIDS

TRANSPORTATION FUND STATE OPERATING ASSISTANCE

**FOR THE PRIOR PERIOD OCTOBER 1, 2002
THROUGH SEPTEMBER 30, 2003
FOR THE YEAR ENDED JUNE 30, 2004**

	10/01/02 to 06/30/03 FYE 06/30/03	07/01/03 to 09/30/03 FYE 06/30/04	TOTAL
EXPENSES			
Labor	\$ 183,573	\$ 35,186	\$ 218,759
Fringe benefits	27,581	5,671	33,252
Services	34,920	1,512	36,432
Materials and supplies	26,106	5,954	32,060
Utilities	1,455	544	1,999
Casualty and liability	-	10,743	10,743
Miscellaneous	554	64	618
Depreciation	63,252	21,190	84,442
TOTAL EXPENSES	337,441	80,864	418,305
INELIGIBLE EXPENSES			
Depreciation	(63,252)	(21,190)	(84,442)
Audit fees	(2,500)	-	(2,500)
RTAP reimbursement	-	-	-
ADD BACK			
Depreciation on equipment purchased with operating revenue	240	-	240
TOTAL INELIGIBLE EXPENSES	(65,512)	(21,190)	(86,702)
TOTAL ELIGIBLE EXPENSES	271,929	59,674	331,603
MAXIMUM SECTION 5311 REIMBURSEMENT	30,050	6,534	36,584
ELIGIBLE FOR STATE ASSISTANCE	\$ 241,879	\$ 53,140	\$ 295,019
STATE STATUTORY OPERATING ASSISTANCE			
The lower of its:			
STATUTORY CAP:			
60.0% Eligible Expense for Non-Urbanized Areas			<u>\$ 198,962</u>
But at least a minimum of its 1997 payments			<u>\$ 198,943</u>
Reimbursement due	\$ 105,943	\$ 22,813	\$ 128,756
Amount received for the above expenses	109,755	36,581	146,336
Amount due from (to) Michigan Department of Transportation before Michigan Department of Transportation reconciliation	<u>\$ (3,812)</u>	<u>\$ (13,768)</u>	<u>\$ (17,580)</u>

CITY OF BIG RAPIDS
TRANSPORTATION FUND
SCHEDULE OF CHANGES IN CONTRIBUTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FEDERAL</u>	<u>STATE</u>	<u>TOTAL</u>
Balances - July 1, 2003	\$ 416,664	\$ 26,772	\$ 443,436
Depreciation for year ended June 30, 2004	<u>(82,978)</u>	<u>(4,650)</u>	<u>(87,628)</u>
Balances - June 30, 2004	<u>\$ 333,686</u>	<u>\$ 22,122</u>	<u>\$ 355,808</u>

CITY OF BIG RAPIDS
TRANSPORTATION FUND
MILEAGE DATA
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

DEMAND - RESPONSE

First Quarter	17,917
Second Quarter	22,587
Third Quarter	24,258
Fourth Quarter	<u>22,021</u>
 TOTAL DEMAND RESPONSE	 <u>86,783</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

INTERNAL SERVICE FUNDS

CITY OF BIG RAPIDS, MICHIGAN

INTERNAL SERVICE FUNDS

DESCRIPTION OF FUNDS

Internal Service Funds are used to account for the financing of special activities or services performed by a designated unit within the City for other units of the City. These funds are supported entirely by the sale of goods or services to other funds.

Motor Pool Fund - This fund is used to account for the purchase, maintenance and operation of all motor vehicles (except those of the Fire Department, Transportation Fund, Water Fund, and Wastewater Fund) and other equipment for City operations. The equipment is rented to the other operating funds at hourly rental rates to cover costs of the fund.

D.P.W. Service Fund - This fund is used to facilitate the accounting for supervision, non-productive labor and fringe benefits of the Public Works Department. Revenues of this fund represent allocations of these costs to the various funds based on the actual salary cost of Public Works Department employees in each fund.

Self-Insurance Fund - The Self-Insurance Fund is used to account for revenues collected from user departments for the payment of costs incurred to administer the self-funded health insurance program, third party administrative expenses and actual health claims paid.

CITY OF BIG RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2004

<u>ASSETS</u>	MOTOR POOL	D.P.W. SERVICE	SELF INSURANCE	TOTALS
CURRENT ASSETS				
Cash and temporary investments	\$ 462,996	\$ 84,642	\$ 295,371	\$ 843,009
Accounts receivable	-	-	813	813
Inventory	62,334	-	-	62,334
TOTAL CURRENT ASSETS	525,330	84,642	296,184	906,156
CAPITAL ASSETS				
Buildings	139,236	-	-	139,236
Machinery and equipment	1,973,438	-	-	1,973,438
	2,112,674	-	-	2,112,674
Less accumulated depreciation	1,434,019	-	-	1,434,019
TOTAL CAPITAL ASSETS	678,655	-	-	678,655
<u>TOTAL ASSETS</u>	1,203,985	84,642	296,184	1,584,811
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	1,940	1,800	-	3,740
Accrued liabilities	10,757	55,709	15,363	81,829
TOTAL LIABILITIES	12,697	57,509	15,363	85,569
<u>NET ASSETS</u>				
NET ASSETS				
Investment in capital assets, net of related debt	678,655	-	-	678,655
Unrestricted	512,633	27,133	280,821	820,587
TOTAL NET ASSETS	\$ 1,191,288	\$ 27,133	\$ 280,821	\$ 1,499,242

CITY OF BIG RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	MOTOR POOL	D.P.W. SERVICE	SELF INSURANCE	TOTALS
OPERATING REVENUES				
Charges for services	\$ 604,647	\$ 717,845	\$ 981,214	\$ 2,303,706
Other	1,036	8,514	6,821	16,371
TOTAL OPERATING REVENUES	605,683	726,359	988,035	2,320,077
OPERATING EXPENSES				
Wages and salaries	131,546	492,980	-	624,526
Employee benefits	39,860	206,679	-	246,539
Supplies	20,232	-	-	20,232
Gas and oil	48,471	-	-	48,471
Heat, power and lights	18,219	-	-	18,219
Repairs and maintenance	80,724	-	-	80,724
Rent	1,493	-	-	1,493
Contracted services	265	-	26,249	26,514
Professional fees	1,901	-	2,580	4,481
Depreciation	169,884	-	-	169,884
Insurance	42,703	-	687,895	730,598
Miscellaneous	8,288	-	-	8,288
TOTAL OPERATING EXPENSES	563,586	699,659	716,724	1,979,969
OPERATING INCOME (LOSS)	42,097	26,700	271,311	340,108
NON-OPERATING REVENUES				
Investment earnings	(1,537)	-	(5,193)	(6,730)
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	40,560	26,700	266,118	333,378
TRANSFERS (OUT)	(41,700)	(2,000)	-	(43,700)
CHANGE IN NET ASSETS	(1,140)	24,700	266,118	289,678
NET ASSETS, BEGINNING OF YEAR	1,192,428	2,433	14,703	1,209,564
NET ASSETS, END OF YEAR	\$ 1,191,288	\$ 27,133	\$ 280,821	\$ 1,499,242

CITY OF BIG RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	MOTOR POOL	D.P.W. SERVICE	SELF INSURANCE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 605,683	\$ 726,359	\$ 987,774	\$ 2,319,816
Payments to suppliers	(214,692)	-	(740,258)	(954,950)
Payments to employees	(176,740)	(691,013)	-	(867,753)
Net cash provided by (used in) operating activities	214,251	35,346	247,516	497,113
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Repayment of balance due from other funds	186,410	-	-	186,410
Transfers (out)	(41,700)	(2,000)	-	(43,700)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	144,710	(2,000)	-	142,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(116,316)	-	-	(116,316)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments	(1,537)	-	(5,193)	(6,730)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	241,108	33,346	242,323	516,777
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	221,888	51,296	53,048	326,232
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 462,996	\$ 84,642	\$ 295,371	\$ 843,009
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 42,097	\$ 26,700	\$ 271,311	\$ 340,108
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:				
Depreciation	169,884	-	-	169,884
Change in operating assets and liabilities which provided (used) cash:				
Accounts receivable	-	-	(261)	(261)
Inventory	9,393	-	-	9,393
Accounts payable	(1,789)	1,800	(38,897)	(38,886)
Accrued liabilities	(5,334)	6,846	15,363	16,875
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 214,251	\$ 35,346	\$ 247,516	\$ 497,113

FIDUCIARY FUNDS

CITY OF BIG RAPIDS, MICHIGAN

FIDUCIARY FUNDS

DESCRIPTION OF FUNDS

AGENCY FUNDS

Current Tax Fund - This fund is used to record the receipt and transfers of property taxes collected by the City on behalf of the County and School Districts.

Payroll Fund - The Payroll Fund is an agency fund used to account for the transfers received from various contributing funds and to record the City's payroll. Payroll withholdings are also transferred to the appropriate government or other agencies.

CITY OF BIG RAPIDS
ALL AGENCY FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2004

	<u>AGENCY FUNDS</u>		<u>TOTALS</u>
	<u>CURRENT TAX FUND</u>	<u>PAYROLL FUND</u>	
<u>ASSETS</u>			
Cash and temporary investments	\$ 4,747	\$ 84,140	\$ 88,887
Accounts receivable	142,453	-	142,453
<u>TOTAL ASSETS</u>	<u>\$ 147,200</u>	<u>\$ 84,140</u>	<u>\$ 231,340</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 44,140	\$ 44,140
Due to other governmental units	147,200	-	147,200
Advances from other funds	-	40,000	40,000
<u>TOTAL LIABILITIES</u>	<u>\$ 147,200</u>	<u>\$ 84,140</u>	<u>\$ 231,340</u>

CITY OF BIG RAPIDS

ALL AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JUNE 30, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>Current Tax Fund</u>				
ASSETS				
Cash and temporary investments	\$ 4,434	\$ 17,190,324	\$ 17,190,011	\$ 4,747
Taxes receivable	133,424	5,932,480	5,923,451	142,453
TOTAL ASSETS	\$ 137,858	\$ 23,122,804	\$ 23,113,462	\$ 147,200
LIABILITIES				
Due to other governmental units	\$ 137,858	\$ 11,293,933	\$ 11,284,591	\$ 147,200
<u>Payroll Fund</u>				
ASSETS				
Cash and temporary investments	\$ 80,493	\$ 15,277,500	\$ 15,273,853	\$ 84,140
LIABILITIES				
Accounts payable	\$ 40,493	\$ 5,254,965	\$ 5,251,318	\$ 44,140
Advances from other funds	40,000	-	-	40,000
TOTAL LIABILITIES	\$ 80,493	\$ 5,254,965	\$ 5,251,318	\$ 84,140

(Continued)

CITY OF BIG RAPIDS

ALL AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JUNE 30, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>Total all Agency Funds</u>				
ASSETS				
Cash and temporary investments	\$ 84,927	\$ 32,467,824	\$ 32,463,864	\$ 88,887
Taxes receivable	133,424	5,932,480	5,923,451	142,453
TOTAL ASSETS	\$ 218,351	\$ 38,400,304	\$ 38,387,315	\$ 231,340
LIABILITIES				
Accounts payable	\$ 40,493	\$ 5,254,965	\$ 5,251,318	\$ 44,140
Due to other governments	137,858	11,293,933	11,284,591	147,200
Advances from other funds	40,000	-	-	40,000
TOTAL LIABILITIES	\$ 218,351	\$ 16,548,898	\$ 16,535,909	\$ 231,340

(Concluded)

CITY OF BIG RAPIDS
ACT 345 RETIREMENT FUND
STATEMENT OF PLAN NET ASSETS

JUNE 30, 2004

ASSETS

Cash and short-term investments	\$ 244,792
Investments	
Bonds	517,602
Preferred Stocks	1,447,379
Mutual Funds	2,734,782
TOTAL INVESTMENTS	4,699,763
<u>TOTAL ASSETS</u>	4,944,555

LIABILITIES

Accounts payable	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 4,944,555

COMPONENT UNIT

CITY OF BIG RAPIDS
BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY

JUNE 30, 2004

ASSETS

ASSETS

Cash and temporary investments	\$ 61,711
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TOTAL ASSETS	<u>\$ 61,711</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ -</u>
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FUND EQUITY

Fund balances:

Unreserved - undesignated	<u>61,711</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 61,711</u>
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CITY OF BIG RAPIDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2004

REVENUES	
Taxes	\$ 19,331
Interest	500
	<hr/>
TOTAL REVENUES	19,831
EXPENDITURES	
Current:	
Community service	31,500
	<hr/>
NET CHANGES IN FUND BALANCES	(11,669)
FUND BALANCES, BEGINNING OF YEAR	73,380
	<hr/>
FUND BALANCES, END OF YEAR	\$ 61,711
	<hr/>

SCHEDULE OF INDEBTEDNESS

CITY OF BIG RAPIDS
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	TOTAL ANNUAL PAYMENTS
PRIMARY GOVERNMENT DEBT							
GENERAL OBLIGATION DEBT							
1992 Water Supply System Refunding Service Bonds	04/01/92	\$2,365,000	3 4 - 6.35%	10/01/04	\$200,000	\$6,350	\$206,350
					200,000	6,350	206,350
Big Rapids Township Cemetery Contribution	11/01/92	315,000	N/A	11/01/04	15,000	-	15,000
				11/01/05	15,000	-	15,000
				11/01/06	15,000	-	15,000
				11/01/07	15,000	-	15,000
				11/01/08	15,000	-	15,000
				11/01/09	15,000	-	15,000
				11/01/10	15,000	-	15,000
				11/01/11	15,000	-	15,000
					120,000	-	120,000
1999 Fire Truck Loan	07/20/98	212,961	4.40%	07/23/04	19,977	443	20,420
					19,977	443	20,420
2001 Unlimited Tax General Obligation Bonds	11/01/01	4,500,000	4.375%	08/01/04	-	95,375	95,375
				02/01/05	110,000	95,375	205,375
				08/01/05	-	92,969	92,969
				02/01/06	120,000	92,969	212,969
				08/01/06	-	90,344	90,344
				02/01/07	135,000	90,344	225,344
				08/01/07	-	87,391	87,391
				02/01/08	145,000	87,391	232,391
				08/01/08	-	84,219	84,219
				02/01/09	165,000	84,219	249,219
				08/01/09	-	80,609	80,609
				02/01/10	180,000	80,609	260,609
				08/01/10	-	76,672	76,672
				02/01/11	200,000	76,672	276,672
				08/01/11	-	72,297	72,297
				02/01/12	220,000	72,297	292,297
				08/01/12	-	67,484	67,484
				02/01/13	240,000	67,484	307,484
				08/01/13	-	62,234	62,234
				02/01/14	260,000	62,234	322,234
				08/01/14	-	56,547	56,547
				02/01/15	285,000	56,547	341,547
				08/01/15	-	50,312	50,312
				02/01/16	310,000	50,312	360,312
				08/01/16	-	43,531	43,531
				02/01/17	335,000	43,531	378,531
				08/01/17	-	36,203	36,203
				02/01/18	365,000	36,203	401,203
				08/01/18	-	28,219	28,219
				02/01/19	395,000	28,219	423,219
				08/01/19	-	19,578	19,578
				02/01/20	430,000	19,578	449,578
				08/01/20	-	10,172	10,172
				02/01/21	465,000	10,172	475,172
					4,360,000	2,108,312	6,468,312
Accrued Employee Benefits					522,092	-	522,092
TOTAL GENERAL OBLIGATION DEBT					5,222,069	2,115,105	7,337,174

(Continued)

CITY OF BIG RAPIDS
SCHEDULE OF INDEBTEDNESS (CONTINUED)
JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	TOTAL ANNUAL PAYMENTS
ENTERPRISE FUNDS							
1993 Wastewater Treatment System Revenue Bonds	10/01/93	\$2,000,000	5%	09/01/04	\$115,000	\$30,069	
				03/01/05		27,121	\$172,190
				09/01/05	120,000	27,121	
				03/01/06		24,197	171,318
				09/01/06	125,000	24,197	
				03/01/07		21,071	170,268
				09/01/07	135,000	21,071	
				03/01/08		17,613	173,684
				09/01/08	140,000	17,613	
				03/01/09		13,938	171,551
				09/01/09	150,000	13,938	
				03/01/10		10,000	173,938
				09/01/10	160,000	10,000	
				03/01/11		6,800	176,800
				09/01/11	165,000	6,800	
				03/01/12		3,500	175,300
				09/01/12	175,000	3,500	178,500
					1,285,000	278,549	1,563,549
1995 Water Supply System Revenue Bonds	12/01/95	\$1,360,000	4.5 - 5.25%	10/01/04	60,000	25,605	
				04/01/05		24,195	109,800
				10/01/05	60,000	24,195	
				04/01/06		22,755	106,950
				10/01/06	65,000	22,755	
				04/01/07		21,146	108,901
				10/01/07	70,000	21,146	
				04/01/08		19,361	110,507
				10/01/08	75,000	19,361	
				04/01/09		17,430	111,791
				10/01/09	75,000	17,430	
				04/01/10		15,480	107,910
				10/01/10	80,000	15,480	
				04/01/11		13,380	108,860
				10/01/11	85,000	13,380	
				04/01/12		11,128	109,508
				10/01/12	95,000	11,128	
				04/01/13		8,586	114,714
				10/01/13	100,000	8,586	
				04/01/14		5,886	114,472
				10/01/14	105,000	5,886	
				04/01/15		3,025	113,911
				10/01/15	110,000	3,025	113,026
					980,000	350,350	1,330,350
1999 Water Supply System Revenue Bonds	12/1/1999	\$2,820,000	4.30-5.40%	10/01/04	100,000	66,058	
				04/01/05		63,371	229,429
				10/01/05	105,000	63,371	
				04/01/06		60,549	228,920
				10/01/06	110,000	60,549	
				04/01/07		57,593	228,142
				10/01/07	115,000	57,593	
				04/01/08		54,502	227,095
				10/01/08	125,000	54,502	
				04/01/09		51,143	230,645
				10/01/09	130,000	51,143	
				04/01/10		47,649	228,792
				10/01/10	135,000	47,649	
				04/01/11		44,021	226,670
				10/01/11	145,000	44,021	
				04/01/12		40,124	229,145
				10/01/12	150,000	40,124	
				04/01/13		36,093	226,217

(Continued)

CITY OF BIG RAPIDS
SCHEDULE OF INDEBTEDNESS (CONCLUDED)
JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	TOTAL ANNUAL PAYMENTS
ENTERPRISE FUNDS (CONTINUED)							
1999 Water Supply System Revenue Bonds	12/1/1999	\$2,820,000	4 30-5.40%	10/01/013	\$ 160,000	\$ 36,093	
				04/01/14		31,793	\$ 227,886
				10/01/14	170,000	31,793	
				04/01/15		27,224	229,017
				10/01/15	180,000	27,224	
				04/01/16		22,386	229,610
				10/01/16	190,000	22,386	
				04/01/17		17,280	229,666
				10/01/17	200,000	17,280	
				04/01/18		11,880	229,160
				10/01/18	215,000	11,880	
				04/01/19		6,075	232,955
				10/01/19	225,000	6,075	231,075
					2,455,000	1,209,424	3,664,424
TOTAL ENTERPRISE FUNDS					4,720,000	1,838,323	6,558,323
TOTAL LONG-TERM DEBT-PRIMARY GOVERNMENT					9,942,069	3,953,428	13,895,497
TOTAL LONG-TERM DEBT - REPORTING ENTITY					\$ 9,942,069	\$ 3,953,428	\$ 13,895,497

(Concluded)

STATISTICAL SECTION

CITY OF BIG RAPIDS, MICHIGAN
REVENUE BY SOURCE IN GENERAL FUND

1995 THROUGH 2004

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeits</u>	<u>Grants In Aid</u>	<u>Inter- Governmental Revenue</u>	<u>Federal Grants</u>	<u>Charges For Services</u>	<u>Interest Earned</u>	<u>Other Revenues</u>	<u>Total</u>
1995	\$ 2,483,401	\$ 28,187	\$ 104,601	\$ 146,164	\$ 1,242,742	\$ -	\$ 164,690	\$ 83,577	\$ 112,724	\$ 4,366,086
1996	2,447,859	61,821	112,553	154,901	1,374,364	23,454	167,411	41,776	127,258	4,511,397
1997	2,542,855	36,633	102,508	133,378	1,491,026	20,169	154,615	99,847	122,404	4,703,435
1998	2,889,735	35,411	100,450	258,246	1,485,663	22,189	145,515	55,187	184,975	5,177,371
1999	2,981,507	36,917	105,223	210,053	1,572,398	42,455	154,613	83,887	159,398	5,346,451
2000	3,199,298	38,406	123,906	358,594	1,708,696	39,307	155,604	150,384	141,775	5,911,570
2001	3,466,485	36,127	142,757	147,631	2,014,407	4,752	152,207	74,185	92,003	6,130,554
2002	3,597,269	41,320	130,193	472,426	1,864,976	20,589	155,781	66,333	50,544	6,399,431
2003	3,932,094	48,168	107,971	217,112	1,910,289	375,271	164,530	50,052	54,453	6,859,940
2004	4,018,233	24,065	108,317	112,688	1,516,125	185,385	211,841	38,188	61,321	6,276,163

Transfers from other funds are not included above.

NOTE: Airport Operations and the Community Pool Operations were moved from the General Fund to the Special Revenue Fund type for the year ended 2000.

CITY OF BIG RAPIDS, MICHIGAN

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION IN GENERAL FUND

1995 THROUGH 2004

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Legislative</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Airport and Economic Development</u>	<u>Culture and Recreation</u>	<u>Other Functions</u>	<u>Total</u>
1995	\$ 72,309	\$1,134,356	\$ 1,699,299	\$ 488,080	\$ 71,558	\$ 254,060	\$ 36,927	\$3,756,589
1996	144,890	1,273,127	1,899,998	762,678	69,121	283,199	36,927	4,469,940
1997	129,799	1,276,111	2,091,102	741,165	143,698	409,411	8,420	4,799,706
1998	80,711	1,626,747	1,928,595	814,685	139,668	259,561	-	4,849,967
1999	81,295	1,464,604	2,152,535	769,730	99,885	527,916	20,420	5,116,385
2000	118,371	1,642,551	1,998,348	568,490	-	436,563	40,840	4,805,163
2001	84,150	1,826,723	2,128,910	697,930	-	568,662	40,840	5,347,215
2002	83,238	1,692,311	2,190,678	1,321,636	-	315,082	40,840	5,643,785
2003	78,207	1,652,650	2,484,996	1,770,254	-	283,712	321,543	6,591,362
2004	77,192	1,835,316	2,709,914	1,364,553	-	351,336	330,746	6,669,057

NOTE: Transfers to other funds are not included above.

Airport Operations and the Community Pool Operations were moved from the General Fund to the Special Revenue Fund type for the year ended 2000.

CITY OF BIG RAPIDS, MICHIGAN

STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

1995 THROUGH 2004

(UNAUDITED)

Fiscal Year Ending	Real Property		Personal Property		Total		Ratio of Totals State Equalized Value to Estimated Actual Value
	*State Equalized Value	Estimated Actual Value	*State Equalized Value	Estimated Actual Value	*State Equalized Value	Estimated Actual Value	
1995	\$ 82,440,500	\$ 164,881,000	\$ 20,684,100	\$ 41,368,200	\$ 103,124,600	\$ 206,249,200	50.0 %
1996	83,062,100	166,124,200	21,029,200	42,058,400	104,091,300	208,182,600	50.0
1997	90,335,700	180,671,400	21,462,800	42,925,600	111,798,500	223,597,000	50.0
1998	93,224,500	186,449,000	21,998,100	43,996,200	115,222,600	230,445,200	50.0
1999	96,396,400	192,792,800	23,801,800	47,603,600	120,198,200	240,396,400	50.0
2000	101,428,100	202,856,200	24,637,300	49,294,600	126,065,400	252,130,800	50.0
2001	107,097,950	214,195,900	25,088,400	50,176,800	132,186,350	264,372,700	50.0
2002	118,576,400	237,152,800	25,952,400	51,904,800	144,528,800	289,057,600	50.0
2003	124,287,800	248,575,600	26,596,100	53,192,200	150,883,900	301,767,800	50.0
2004	136,268,000	272,536,000	27,880,500	55,761,000	164,148,500	328,297,000	50.0

Fiscal Year Ending	Taxable Value	Tax Rate (Mills)		Tax Levy		City Income Tax Net of Refunds	Ratio of Totals State Equalized Value to Income Tax
		City Operations	City Debt	City Operations	City Debt		
1995	\$ 103,124,600	10.9059	1.4464	\$ 1,124,667	\$ 149,159	\$ 1,292,314	12.53
1996	104,091,300	10.9059	1.4464	1,135,209	150,558	1,247,449	11.98
1997	107,813,649	10.9513	1.4010	1,180,700	151,047	1,259,097	11.26
1998	112,079,112	11.1592	1.1931	1,250,713	133,722	1,472,255	12.78
1999	116,787,018	11.1170	1.2353	1,298,321	144,267	1,452,930	12.09
2000	120,649,754	11.2624	1.0899	1,358,806	131,496	1,586,121	12.58
2001	125,745,829	11.1616	1.1907	1,403,524	149,725	1,832,534	13.86
2002	132,105,632	11.1959	1.1564	1,479,041	152,766	1,842,432	12.75
2003	137,038,430	13.3314	0.9838	1,826,914	134,818	1,835,702	12.17
2004	144,520,182	13.4555	0.7775	1,944,591	112,364	1,814,042	11.05

* Does not include equivalent State Equalized Value, created per P.A. 198 of 1974.

CITY OF BIG RAPIDS, MICHIGAN

BREAKDOWN OF 2003 STATE EQUALIZED VALUATION BY CLASS OF PROPERTY

(2003 ASSESSMENT ROLL)

(UNAUDITED)

<u>Class of Property</u>	<u>Equalized Value</u>	<u>Percent of Total</u>
Agriculture	\$ 130,100	0.08 %
Commercial	60,290,600	36.73
Industrial	9,977,100	6.08
Residential	65,870,200	40.13
Personal	27,880,500	16.98
Total	<u>\$164,148,500</u>	<u>100.00 %</u>

TEN LARGEST TAXPAYERS PER 2002 STATE EQUALIZED VALUATION (SEV)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>SEV (Ad Valorem)</u>	<u>Equivalent SEV (Specific Acts)</u>
Haworth, Inc.	Manufacturing	\$ 6,131,000	\$14,403,300
Federal Screw Works	Manufacturing	8,556,100	4,304,600
Agree Limited Partnership	Real Estate Developer	5,871,800	-
Mark IV Automotive	Manufacturing	3,297,900	62,300
Big Rapids Products, Inc.	Manufacturing	2,128,700	951,500
CBL and Associates	Real Estate Developer	2,673,000	-
Mecosta County General Hospital	Hospital	2,050,700	-
Consumers Power Company	Utility	2,047,300	-
Campus Village Rapids, LLC	Real Estate Developer	1,879,400	-
Mich Consolidated Gas Co.	Utility	1,809,100	-
Ten Largest Taxpayers		36,445,000	19,721,700
Other Taxpayers		127,703,500	8,121,200
Total State Equalized Valuation		<u>\$164,148,500</u>	<u>\$27,842,900</u>

* Does not include Equivalent State Equalized Value (EQSEV), created per P.A. 198 of 1974.

CITY OF BIG RAPIDS, MICHIGAN
PROPERTY TAX LEVIES AND COLLECTIONS
1994 THROUGH 2003
(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections Total Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1994	06/30/95	\$1,283,137	\$1,191,576	92.9 %	\$ 85,950	\$1,277,526	99.56 %	\$ 5,611	0.44 %
1995	06/30/96	1,312,932	1,223,333	93.2	86,589	1,309,922	99.77	3,010	0.23
1996	06/30/97	1,341,440	1,267,893	94.5	69,692	1,337,585	99.71	3,855	0.29
1997	06/30/98	1,509,864	1,439,761	95.4	66,128	1,505,889	99.73	3,975	0.27
1998	06/30/99	1,593,744	1,532,548	96.1	58,482	1,591,030	99.83	2,714	0.17
1999	06/30/00	1,659,883	1,569,973	94.6	87,429	1,657,402	99.85	2,481	0.14
2000	06/30/01	1,712,334	1,646,234	96.1	60,276	1,706,510	99.66	5,824	0.34
2001	06/30/02	1,785,785	1,726,354	96.7	54,013	1,780,367	99.70	5,418	0.30
2002	06/30/03	2,129,954	2,062,507	96.8	55,306	2,117,813	99.43	12,141	0.57
2003	* 06/30/04	2,197,960	2,138,178	97.3	54,796	2,192,974	99.77	4,986	0.23

These figures do not include the DDA or TIFA Assessments

* Includes levy for Public Safety Building

CITY OF BIG RAPIDS, MICHIGAN

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF TAXABLE VALUE)

1994 THROUGH 2003

(UNAUDITED)

<u>Year of Levy</u>	<u>General</u>	<u>Debt Service</u>	<u>Component Units (DDA ONLY)</u>	<u>Total</u>	<u>Non Homestead School</u>	<u>Homestead School</u>	<u>State Education Tax</u>	<u>Intermediate School District/ County</u>	<u>Total</u>
1994 Homestead	10.9059	1.4464	2.0000	14.3523		1.7500	6.0000	11.6803	33.7826
Non Homestead	10.9059	1.4464	2.0000	14.3523	19.7500		6.0000	11.6803	51.7826
1995 Homestead	10.9059	1.4464	2.0000	14.3523		7.0000	6.0000	11.6497	39.0020
Non Homestead	10.9059	1.4464	2.0000	14.3523	25.0000		6.0000	11.6497	57.0020
1996 Homestead	10.9513	1.4010	2.0000	14.3523		7.0000	6.0000	11.6455	38.9978
Non Homestead	10.9513	1.4010	2.0000	14.3523	25.0000		6.0000	11.6455	56.9978
1997 Homestead	11.1592	1.1931	2.0000	14.3523		7.0000	6.0000	11.3955	38.7478
Non Homestead	11.1592	1.1931	2.0000	14.3523	25.0000		6.0000	11.3955	56.7478
1998 Homestead	11.1170	1.2353	2.0000	14.3523		7.0000	6.0000	11.3075	38.6598
Non Homestead	11.1170	1.2353	2.0000	14.3523	25.0000		6.0000	11.3075	56.6598
1999 Homestead	11.2624	1.0899	2.0000	14.3523		7.0000	6.0000	11.2657	38.6180
Non Homestead	11.2624	1.0899	2.0000	14.3523	25.0000		6.0000	11.2657	56.6180
2000 Homestead	11.1616	1.1907	2.0000	14.3523		7.0000	6.0000	11.2657	36.5650
Non Homestead	11.1616	1.1907	2.0000	14.3523	25.0000		6.0000	11.2657	54.5650
2001 Homestead	11.1959	1.1564	2.0000	14.3523		7.0000	6.0000	11.1113	36.4636
Non Homestead	11.1959	1.1564	2.0000	14.3523	24.8524		6.0000	11.1113	54.3160
2002 Homestead	13.3314	0.9838	2.0000	16.3152		7.0000	6.0000	11.0537	38.3689
Non Homestead	13.3314	0.9838	2.0000	16.3152	25.0000		6.0000	11.0537	56.3689
2003 Homestead	13.4555	0.7775	2.0000	16.2330		7.0000	6.0000	11.4433	37.6763
Non Homestead	13.4555	0.7775	2.0000	16.2330	25.0000		6.0000	11.4433	55.6763

CITY OF BIG RAPIDS, MICHIGAN

RATIO OF GENERAL BONDED DEBT TO STATE EQUALIZED VALUE (SEV) AND BONDED DEBT SERVICES PER CAPITA

1995 THROUGH 2004

(UNAUDITED)

Year Ended June 30,	Estimated Population	State Equalized Valuation	General Obligation Bonds	Less Available Debt Service Funds	Net Bonded Debt	Ratio of Net Debt to SEV	Net Bonded Debt Per Capita
1995	12,578	\$ 103,124,600	\$ 1,955,000	\$ 52,982	\$ 1,902,018	1.8	\$ 151
1996	12,578	104,091,300	1,785,000	53,717	1,731,283	1.7	138
1997	12,578	111,798,500	1,600,000	54,717	1,545,283	1.4	123
1998	12,578	115,222,600	1,415,000	54,826	1,360,174	1.2	108
1999	12,578	120,198,200	1,220,000	58,263	1,161,737	1.0	92
2000	10,610	126,065,400	1,030,000	61,550	968,450	0.8	91
2001	10,849	132,186,350	825,000	63,203	761,797	0.6	70
2002	10,849	144,528,000	5,105,000	61,576	5,043,424	3.5	465
2003	10,849	150,883,900	4,850,000	64,673	4,785,327	3.2	441
2004	10,849	164,148,500	4,560,000	68,512	4,491,488	2.7	414

General Obligation Bonds in this table represent only those bonds serviced from property tax revenues.

CITY OF BIG RAPIDS, MICHIGAN

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

1995 THROUGH 2004

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
1995	\$ 175,000	\$ 116,255	\$ 291,255	\$ 3,756,591	1 to 12.90
1996	170,000	108,153	278,153	4,469,940	1 to 16.07
1997	185,000	99,270	284,270	4,799,706	1 to 16.88
1998	185,000	89,650	274,650	4,849,967	1 to 17.66
1999	195,000	79,885	274,885	5,116,385	1 to 18.61
2000	190,000	69,060	259,060	4,805,159	1 to 18.55
2001	205,000	57,050	262,050	5,347,215	1 to 20.41
2002	220,000	44,403	264,403	5,643,785	1 to 21.34
2003	255,000	277,439	532,439	6,591,362	1 to 12.39
2004	290,000	213,700	503,700	6,669,057	1 to 14.70

CITY OF BIG RAPIDS, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2004

(UNAUDITED)

<u>Name of Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Balances on Hand</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
City of Big Rapids					
Direct Debt					
General Obligation Bonds	\$4,560,000	\$ 68,512	\$ 4,491,488	100.00 %	\$ 4,491,488
Overlapping Debt					
Big Rapids Public Schools	27,564,143	-	27,564,143	43.19 %	11,904,953
Mecosta County	12,990,000	-	12,990,000	15.39	1,999,161
Mecosta Osceola Intermediate School District	100,000	-	100,000	9.79	9,790
Total Direct and Overlapping Debt					<u>\$ 18,405,392</u>

COMPUTATION OF LEGAL DEBT MARGIN FOR GENERAL OBLIGATION BONDS

JUNE 30, 2004

(UNAUDITED)

State Equalized Valuation	<u>\$164,148,500</u>
Debt Limit - 10% of State Equalized Value	\$ 16,414,850
Amount of Debt Applicable to Limit	\$4,499,977
Less: Assets Availabe for Debt Service	<u>68,512</u>
Net General Obligation Debt Subject to Limitation	<u>4,431,465</u>
Legal Debt Margin	<u>\$ 11,983,385</u>

CITY OF BIG RAPIDS, MICHIGAN

REVENUE BOND COVERAGE

1995 THROUGH 2004

(UNAUDITED)

	<u>Year Ended June 30,</u>	<u>Revenue and Other Sources</u>	<u>Expenses and Other Uses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
Wastewater Treatment System Bonds (Serviced by Wastewater Treatment Fund)	1995	\$ 1,217,962	\$ 788,769	\$ 429,193	\$ 40,000	\$146,687	\$186,687	2.3
	1996	1,231,722	843,251	388,471	40,000	143,372	183,372	2.1
	1997	1,252,557	1,022,985	229,572	115,000	137,662	252,662	0.9
	1998	1,255,362	973,965	281,397	130,000	128,888	258,888	1.1
	1999	1,329,146	1,002,242	326,904	135,000	119,613	254,613	1.3
	2000	1,413,839	1,348,691	85,148	135,000	110,163	245,163	0.3
	2001	1,472,251	1,076,518	395,733	165,000	121,352	286,352	1.4
	2002	1,536,602	1,118,754	417,848	170,000	87,737	257,737	1.6
	2003	1,566,339	1,276,335	290,004	175,000	74,654	249,654	1.2
	2004	1,607,495	1,388,537	218,958	180,000	66,042	246,042	0.9
Water Supply System Bonds (Service by Water Fund)	1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	1996	-	-	-	-	-	-	-
	1997	1,413,997	1,093,710	320,287	40,000	66,600	106,600	3.0
	1998	1,537,195	1,296,633	240,562	100,000	66,183	166,183	0.7
	1999	1,625,842	1,260,272	365,570	105,000	67,991	172,991	2.1
	2000	1,959,777	1,561,927	397,850	105,000	63,126	168,126	2.4
	2001	1,704,307	1,280,971	423,336	135,000	248,842	383,842	1.1
	2002	1,699,239	1,237,797	461,442	140,000	204,217	344,217	1.3
	2003	1,722,679	1,390,479	332,200	150,000	192,510	342,510	1.0
	2004	1,739,421	1,268,087	471,334	150,000	189,023	339,023	1.4

Revenue and Other Sources includes interest, insurance refunds and miscellaneous. Expenditures and Other Uses includes paying agent fees.

CITY OF BIG RAPIDS, MICHIGAN
REAL PROPERTY VALUE AND CONSTRUCTION
1994 THROUGH 2003
(UNAUDITED)

Year	Commercial Construction		Residential Construction		Industrial Construction		Municipal Non-Profit	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1993	26	\$ 652,300	43	\$ 396,900	1	\$ 100,000	-	\$ -
1994	22	4,930,000	47	475,350	7	2,573,000	-	-
1995	18	1,341,000	29	359,000	9	8,666,497	-	-
1996	10	1,482,500	46	2,178,850	4	495,000	3	239,000
1997	22	1,544,000	47	634,950	7	1,789,000	2	136,000
1998	20	4,616,950	69	588,850	2	145,000	1	4,500
1999	13	1,217,000	40	341,000	6	802,000	-	-
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	10	4,194,000	70	1,624,318	1	32,000	3	180,000
2002	13	1,193,010	64	791,510	N/A	N/A	8	6,214,000

Building permits were turned over to the County as of fiscal year 2003

This information has been compiled on a calendar year basis. The source of information was the Michigan Department of Commerce and Information maintained through City records.

Property Value						
Year	Agriculture	Commercial	Residential	Industrial	Exemptions*	Total
1994	\$ -	\$ 34,015,700	\$ 43,253,700	\$ 5,171,100	\$ 125,000,000	\$ 207,440,500
1995	-	34,629,700	42,827,000	5,605,400	126,000,000	209,062,100
1996	7,200	37,637,300	46,540,300	6,150,900	129,500,000	219,835,700
1997	112,300	40,295,700	46,448,300	6,368,200	138,200,000	226,874,500
1998	112,300	40,517,600	48,671,600	7,094,900	138,200,000	234,596,400
1999	112,300	42,315,000	51,271,000	7,729,800	145,400,000	246,828,100
2000	130,100	44,979,150	53,998,600	7,990,100	145,400,000	252,497,950
2001	130,100	52,078,800	57,609,000	8,758,500	145,400,000	263,976,400
2002	130,100	53,736,000	61,907,700	8,514,000	147,580,000	271,867,800
2003	130,100	60,290,600	65,870,200	9,977,100	149,800,000	286,068,000

N/A - Not available at the time the Comprehensive Annual Financial Report was published.

CITY OF BIG RAPIDS, MICHIGAN

DEMOGRAPHIC STATISTICS

1995 THROUGH 2004

(UNAUDITED)

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Enrollment</u>	<u>Unemployment Rate</u>
1995	12,578	N/A	2,534	4.6
1996	12,578	N/A	2,653	5.2
1997	12,578	N/A	2,691	4.3
1998	12,578	N/A	2,654	4.2
1999	12,578	N/A	2,983	5.2
2000	12,578	N/A	3,005	4.2
2001	10,849	N/A	2,992	5.2
2002	10,849	N/A	3,005	5.3
2003	10,849	N/A	2,982	6.1
2004	10,849	N/A	3,014	6.1

N/A - Not available at the time the Comprehensive Annual Financial Report was published.

This information was obtained from Sealed Analysis Research Unit.

CITY OF BIG RAPIDS, MICHIGAN

MISCELLANEOUS STATISTICAL DATA

JUNE 30, 2004

(UNAUDITED)

Water Utility:	Number of Billed Water Accounts – 2,217 Average Daily Flow– 1.21 Million Gallons Total Water Distributed – 2003 441.6 Million Gallons
Wastewater Treatment:	Number of Wastewater Accounts –2,502 Average Daily Flow – 1.11 Million Gallons Total Flow During Calendar Year 2003 405.1 Million Gallons
Number of Street Lights:	449
Number of Employees	Full Time – 85 as of 6/30/04
Elections:	Number of Registered Voters – 4,048
Population:	Residents 1950 – 6,736 1960 – 8,686 1970 – 11,995 1980 – 14,361 1990 – 12,578 2000 – 10,849 2004 – 10,849 Students Attending Ferris State University: Fall, 1950 – 983 Fall, 1960 – 3,250 Fall, 1970 – 9,063 Fall, 1980 – 11,112 Fall, 1990 – 12,076 Fall, 2000 – 9,847 Fall, 2001 – 10,930 Fall, 2002 – 11,074 Fall, 2003 – 11,822
Date of Incorporation	1869
Form of Government	Commission – Manager
Area of City	4.43 Square Miles
Miles of Streets:	Trunklines - 5.52 paved Major - 14.41 paved Local - 20.72 paved Local - 1.86 unpaved

(Continued)

CITY OF BIG RAPIDS, MICHIGAN
MISCELLANEOUS STATISTICAL DATA (CONTINUED)

JUNE 30, 2004

(UNAUDITED)

PUBLIC SAFETY

Fire Protection:

Number of Stations – 1

Number of Employees

- 8 Full Time
- 1 Director
- 1 Deputy Director
- 18 Part Paid

Pieces of Equipment

- 2 Pumpers
- 1 Aerial Platform
- 1 Tender
- 1 Jeep
- 1 Pickup Water
- 1 Pumper Tender
- 1 Rescue Truck
- 1 Rescue Boat
- 1 WMD Pickup

Police Protection

Number of Employees

- 16 Full Time
- 1 Deputy Director
- 1 Administrative Secretary
- 1 Part Time Secretary
- 1 Temporary Full Time Drug Unit
- 6 Part Time Students

Vehicular Patrol Units – 5

Other Vehicular Units – 2

Motorcycle - - 2

Neighborhood Services

Number of Employees – 3 full time

- 1 part time

Vehicles - 1

RECREATION

Acres of Parkland - 197

Number of Picnic Area – 10

Cross County Ski Trails – 1

Swimming Pool - 1

CITY OF BIG RAPIDS, MICHIGAN
MISCELLANEOUS STATISTICAL DATA (CONTINUED)

JUNE 30, 2004

(UNAUDITED)

EDUCATION

Number of Students:

Kindergarten – Grade 5	–	890
Grade 6 – 12	–	1,123
Special Education	–	71
High School Completion	–	93
Private School	–	837
		<u>3,014</u>

Number of Schools:

High School	–	1
Middle School	–	1
Elementary Schools	–	4
Private Schools	–	2
Charter School	–	1

CITY OF BIG RAPIDS, MICHIGAN

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2004

(UNAUDITED)

Insurance Company	Policy Number	Policy Period From – To	Coverage	
Michigan Municipal Liability and Property Pool	MML001357700	7/1/03 6/30/04	Property	
			Building and Personal Property	\$39,918,506
			General Liability	
			Comprehensive General Liability	5,000,000
			Bodily Injury:	5,000,000
			Property Damage:	5,000,000
			Medical (Per occurrence limit):	5,000,000
			Other	
			Boiler and Machinery Liability (per accident):	5,000,000
			Inland Marine Liability:	
			1) Contractors Equipment	664,500
			2) Miscellaneous Equipment	200,000
			3) Electronic Equipment	295,000
			Extra Expense:	
			Money and Securities:	100,000
			Extended Business Liability (included in limit):	100,000
			Auto	
			Bodily Injury:	5,000,000
			Property Damage:	Actual Cash Value
			Public Officials Errors and Omissions (per occurrence):	5,000,000
			Police Professional (included in limit):	5,000,000

CITY OF BIG RAPIDS, MICHIGAN

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2004

(UNAUDITED)

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Policy Period From – To</u>		
Michigan Municipal Liability and Property Pool	MML001357700	7/1/03 – 6/30/04	Commercial Umbrella (included in limit)	\$5,000,000
			Crime Insurance	
			Money and Securities	100,000
			City Treasurer/Assessor	Blanket – 100,000 per occurrence
			Assistant City Treasurer/Assessor	Blanket – 100,000 per occurrence
			All Other Employees	Blanket – 100,000 per occurrence
Larry L. Johns & Assoc., Inc.	PR67304	7/1/03 – 6/30/04	Products – Completed Operations	1,000,000
			Personal Injury and Advertising	10,000,000
			Malpractice Aggregate Limit	10,000,000
			Each Occurrence Limit	10,000,000
			Fire Damage Limit Any One Fire	50,000
			Medical Expense Limit Any One Person	1,000
			Hangarkeepers Limit Any One Aircraft	50,000
			Hangarkeepers Limit Any One Occurrence	250,000
			Airport	
			Liability, personal injury, malpractice	10,000,000
			Products	1,000,000

CITY OF BIG RAPIDS, MICHIGAN

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2004

(UNAUDITED)

Insurance Company	Policy Number	Policy Period From – To		
Meadowbrook Ins.	Michigan Municipal League Insurance Policy	7/1/03 – 6/30/04	Worker's Compensation Statutory	\$500,000
Self Insured PPO Third Party Administration Blue Cross/Blue Shield	17663	6/30/04	Non-Bargaining – Master Medical/\$10/\$20 drug co-pay AFSCME – Master Medical/\$10/\$20 drug co-pay Police – Master Medical/\$10 drug co-pay Fire – Master Medical/\$10 drug co-pay Retiree – Hospital Only Retiree – Master Medical/25%/\$20min/\$50max drug co-pay Employee/Retiree Paid Dental & Vision	
Madison National Life Insurance Company	30-0001260-00000	7/1/03 – 6/30/04	Life Class 1 10,000 3 25,000 2 10,000 4 25,000 AD&D Class 1 20,000 3 50,000 2 20,000 4 50,000	
			Long-Term Disability – Police, Fire, and Non-Bargaining 65% of normal gross weekly wage payable from 90 th day of disability through age 65. Maximum monthly benefit \$2,166.	
Self-Insured		7/1/03 – 6/30/04	Short Term Disability (52 weeks) Class 1 Maximum ½ of regular salary Class 2 Maximum ½ of regular salary Class 3 and 4 None	

**CONTINUING DISCLOSURE UNDERTAKING
FOR THE
FISCAL YEAR END JUNE 30, 2004**

**CITY OF BIG RAPIDS
COUNTY OF MECOSTA, STATE OF MICHIGAN
WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 1995**

A. Number of Customers(4)

<u>Type of User</u>	<u>2004 (5)</u>	<u>2003 (4)</u>	<u>2002 (3)</u>	<u>2001 (2)</u>	<u>2000 (1)</u>
Residential	1,619	1,615	1,621	1,607	1,595
Commercial	343	341	346	336	335
Institutional	234	237	234	234	248
Industrial	21	21	24	27	24
Total	<u>2,217</u>	<u>2,214</u>	<u>2,225</u>	<u>2,204</u>	<u>2,202</u>

- (1) Calendar Year Ended December 31, 1999
(2) Calendar Year Ended December 31, 2000
(3) Calendar Year Ended December 31, 2001
(4) Calendar Year Ended December 31, 2002
(5) Calendar Year Ended December 31, 2003

SOURCE: City of Big Rapids

B. Water Consumption By Category (1,000Gallons) (1)

<u>Type of User</u>	<u>2004 (5)</u>	<u>2003 (4)</u>	<u>2002 (3)</u>	<u>2001 (2)</u>	<u>2000 (1)</u>
Residential, Commercial Industrial	215,253	219,957	211,744	232,753	236,492
Government/ Institutional	<u>154,588</u>	<u>162,507</u>	<u>157,583</u>	<u>160,302</u>	<u>151,319</u>
Total	<u>369,841</u>	<u>382,464</u>	<u>369,327</u>	<u>393,055</u>	<u>387,811</u>

- (1) Calendar Year Ended December 31, 1999
(2) Calendar Year Ended December 31, 2000
(3) Calendar Year Ended December 31, 2001
(4) Calendar Year Ended December 31, 2002
(5) Calendar Year Ended December 31, 2003

SOURCE: City of Big Rapids

C. Percent of Water Consumption By Category

<u>Type of User</u>	<u>2004 (5)</u>	<u>2003 (4)</u>	<u>2002 (3)</u>	<u>2001 (2)</u>	<u>2000 (1)</u>
Residential	26%	26%	25%	25%	26%
Government/ Institutional	42	42	43	41	39
Commercial/ Industrial	32	32	32	34	35
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

- (1) Calendar Year Ended December 31, 1999
(2) Calendar Year Ended December 31, 2000
(3) Calendar Year Ended December 31, 2001
(4) Calendar Year Ended December 31, 2002
(5) Calendar Year Ended December 31, 2003

SOURCE: City of Big Rapids

D.

WATER SUPPLY SYSTEM FUND
Historical Net Earnings and Cash Flow
(Fiscal Year Ended June 30)

	2004	2003	2002	2001	2000
Operating Revenue	\$1,742,675	\$1,704,327	\$1,637,475	\$1,645,955	\$1,648,970
Operating Expense	<u>1,268,087</u>	<u>1,390,479</u>	<u>1,237,797</u>	<u>1,280,971</u>	<u>1,455,746</u>
Operating Income	479,588	313,848	399,678	364,984	193,224
Interest Revenue	(3,254)	14,190	32,846	58,352	69,038
Interest Expense (1)	(189,023)	(196,337)	(204,217)	(248,842)	(127,693)
Intergovernmental					
Revenue - State	<u>-</u>	<u>4,162</u>	<u>28,918</u>	<u>- 0 -</u>	<u>- 0 -</u>
Net Income	282,311	135,863	257,225	174,494	134,569
Plus: Depreciation	329,346	318,191	315,966	276,561	111,583
Plus: Interest Expense	<u>189,023</u>	<u>196,337</u>	<u>204,217</u>	<u>248,842</u>	<u>127,693</u>
Cash Available for					
Debt Service	<u>\$ 800,680</u>	<u>\$ 650,391</u>	<u>\$ 777,408</u>	<u>\$ 699,897</u>	<u>\$ 373,845</u>
Maximum Annual					
Debt Service					
Requirements (2)	344,752	\$344,752	\$344,752	\$344,752	\$114,034
Coverage Ratio	2.32	1.89	2.25	2.03	3.28

(1) Interest expense on all bonds being paid by the system revenues.

(2) Maximum annual debt service on the System Bonds.

E. Water Usage And Revenue - Ten Largest Customers

Customer	Usage (1,000 Gallons)		Revenues	
	Usage	% of Total(1)	Amount	% of Total(1)
Ferris State University	130,528	35.2	\$555,118	41.6
Big Rapids Housing Commission	10,811	2.9	60,861	4.6
Haworth	10,671	2.9	36,007	2.7
Mecosta County General Hospital	7,978	2.1	46,466	3.5
Gordon Management	6,710	1.8	23,904	1.8
Jennings Mobile Home	6,305	1.7	21,667	1.6
Altercare	5,825	1.6	23,817	1.8
Meijer	5,277	1.4	20,975	1.6
Greenridge	4,702	1.2	15,390	1.2
Federal ScrewWorks	3,522	.9	11,970	0.9
	<u>192,329</u>	<u>51.7</u>	<u>\$816,175</u>	<u>61.3</u>

(1) Based upon total of 2004 usage of 369,841 gallons and revenues of \$1,332,256

SOURCE: City of Big Rapids

F. Water Pumped vs. Water Sold (1)

The following table represents five-year history of the number of gallons of water pumped vs. the number of gallons of water sold.

<u>Fiscal/Calendar Year</u>	<u>Gallons Pumped(1)</u>	<u>Gallons Sold(1)</u>
1999 - 2000	481.0	387.8
2000 - 2001	451.9	393.0
2001 - 2002	437.6	369.3
2002 - 2003	437.6	382.4
2003 - 2004	441.6	369.8

(1) In millions of gallons

SOURCE: City of Big Rapids

G. Water Rates (As of December 31, 2004)

The City has implemented the following rates. The consumption charge is \$3.29 per 1,000 gallons in excess of minimum usage. The base charge per month, based on the meter size, is as follows:

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Monthly Charge for Water</u>
5/8"	1,000	\$ 5.22
1"	13,000	58.50
1.5"	33,000	140.90
2"	70,000	290.88
3"	120,000	297.88
4"	240,000	982.73

SOURCE: City of Big Rapids

Institutional Rates (As of December 31, 2004)

The City charges the institutional rate to water customers that do not pay property taxes. The consumption charge is \$3.98 per 1,000 gallons in excess of minimum based on meter size is as follows:

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Monthly Charge for Water</u>
5/8"	1,000	\$ 5.57
1"	13,000	63.05
1.5"	33,000	152.45
2"	70,000	315.38
3"	120,000	539.82
4"	240,000	1,066.73

(1) Includes Ferris State University and tax-exempt entities.

SOURCE: City of Big Rapids

H.**PROPERTY TAX RATES FIVE - YEAR HISTORY(1)**

Levied July 1	City Operating(2)	DPS Ret	City Debt	Special Revenue Funds(3)	DPS Bldg.	Total
2000	10.0077	1.1539	1.1907	2.0000		14.3523
2001	10.1887	1.0072	1.1564	2.0000		14.3523
2002	10.2563	1.1122	.9838	2.0000	1.9629	16.3152
2003	10.0283	1.5465	.7775	2.0000	1.8807	16.2330
2004	9.9000	1.9564	.4959	2.0000	1.8780	16.2303

- (1) Per \$1,000 of State Equalized Valuation. Excludes taxes levied by other units of government.
 (2) The City has additional 5.1000 authorized mills which can be levied for operating purposes without a vote of the electorate, but limited by the Headlee Amendment.
 (3) Levied only in the City of Big Rapids Downtown Development Authority.

SOURCE: City of Big Rapids

I. City Wide Millages

In addition to the City's tax rates, property owners in the City must pay taxes to other units of local government. City property owners are subject to the following millage tax rates on all taxable property from local units of government for the fiscal year. The millage tax rates applicable in this fiscal year were substantially modified as a result of changes in the mechanisms for funding local public education. (See "Michigan Property Tax Reform" herein.)

Fiscal Year 03/04

	Homestead Properties	Non-Homestead Properties
Big Rapids Public Schools	7.0000	25.0000
City of Big Rapids	14.2330	14.2330
County of Mecosta	7.3353	7.3353
Mecosta Osceola Intermediate School District	4.1080	4.1080
State Education Levy	5.0000	5.0000
Totals	37.6763	55.6763

SOURCE: City of Big Rapids

J. SEV/Taxable Valuation - Five Year History

The City's SEV has increased \$31,280,200 or 20.32% between 1998 and 2003 (see table following). SEV does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatements under Abatement Acts (see "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein).

State Equalized and Taxable Valuations 5-Year History

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ending June 30	State Equalized Valuation(1)	Ad Valorem Taxable Valuation	Taxable Valuation (1)
2002	2003	2004	\$185,188,500	\$144,520,182	\$166,830,506
2001	2002	2003	174,606,300	137,038,430	160,575,837
2000	2001	2002	170,158,400	132,105,632	157,416,401
1999	2000	2001	158,224,750	125,745,829	151,572,858
1998	1999	2000	153,908,300	120,649,754	148,358,845

Per capita 2004 State Equalized Valuation is \$17,070 and per capita 2003 Taxable Valuation is \$15,377 based on the 2000 US Census population of 10,849.

(1) Includes tax abatements under Act 198 and Act 255.

SOURCE: City of Big Rapids

Breakdown of 2003 Taxable Valuation:

By Use:		By Class:	
Residential	39.439%	Real Property	80.71%
Commercial	34.540	Personal Property	<u>19.29</u>
Personal	19.292	Total	<u>100.00%</u>
Industrial	6.645		
Agricultural	<u>.085</u>		
Total	<u>100.00%</u>		

SOURCE: City of Big Rapids

K.**PROPERTY TAX COLLECTION RECORD
Five - Year History**

Levied <u>July 1</u>	<u>Tax Levy (1)</u>	Collections to March 1, Year <u>Following Levy</u>	Percent <u>Collected</u>	Collections Plus Funding to <u>June 30, 2002</u>	% Collected Plus Funding <u>June 30, 2002</u>
1999	\$1,659,883	\$1,569,973	94.6	\$1,657,402	99.85
2000	1,712,334	1,646,234	96.1	1,706,510	99.66
2001	1,785,785	1,726,354	96.7	1,780,367	99.70
2002	2,129,954	2,062,507	96.8	2,117,813	99.43
2003	2,179,960	2,138,178	97.3	2,192,974	99.77

(1) Real and personal taxes combined.

SOURCE: City of Big Rapids

L. Legal Debt Margin

Pursuant to the statutory and constitutional debt provision set forth above, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2004, assuming issuance of the Bonds.

2004 SEV	\$164,148,500
Debt Limit (1)	16,414,850
Debt Outstanding (2)	\$9,419,977
Less: Exempt Obligations	<u>4,920,000</u> <u>4,499,977</u>
Additional Debt which can be legally incurred	11,914,873
Debt applicable to limit as a percent of SEV	2.74%

- (1) 10% of 2003 SEV
(2) Includes the Bonds.

SOURCE: Municipal Advisory Council of Michigan.

M. Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2004. Bonds designated U.T.G.O. have an unlimited tax pledge, and L.T.G.O. bonds are limited tax pledge bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>	<u>Net Debt Per Capita</u>	<u>Net Debt % of SEV</u>
Water Supply System Revenue Bonds	\$3,635,000	\$3,635,000	\$ -		
Sewage Disposal Revenue Bonds	1,285,000	1,285,000	-		
Cemetery Contribution	120,000	-	120,000		
Fire Truck Loan	19,977	-	19,977		
General Obligation Bonds	<u>4,360,000</u>	<u>-</u>	<u>4,360,000</u>		
Total Direct Debt	<u>\$9,419,977</u>	<u>\$4,920,000</u>	<u>\$4,475,977</u>		<u>2.73%</u>
<u>City Overlapping (2)</u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Per Capita</u>	<u>% of SEV</u>
Big Rapids School District	\$27,564,143	43.19%	\$ 11,904,953		
Mecosta Osceola County ISD	100,000	9.79	9,790		
Mecosta County at Large	<u>12,990,000</u>	15.39	<u>1,999,161</u>		
Total Overlapping Debt	<u>40,654,143</u>		<u>13,913,904</u>	<u>\$1,283.00</u>	<u>8.5%</u>
Total City Direct and Overlapping Debt	<u>\$50,074,120</u>		<u>\$18,389,881</u>	<u>\$1,695.00</u>	<u>12.2%</u>

(2) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible in addition to debt of the City.

SOURCE: Municipal Advisory Council of Michigan

COMPLIANCE SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 16, 2004

Honorable Mayor and City Commissioners
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Big Rapids, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated August 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Big Rapids, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Big Rapids, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Commission, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

August 16, 2004

Honorable Mayor and Members of the City Council
City of Big Rapids, Michigan

In planning and performing our audit of the financial statements of the City of Big Rapids for the year ended June 30, 2004, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of opportunities for strengthening controls and addressing new accounting issues and future financial reporting requirements. This letter does not affect our report dated August 16, 2004 on the financial statements of the City of Big Rapids.

We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or to assist your personnel in the recommendations. Our comments are summarized as follows:

DEPOSIT AND INVESTMENT RISK DISCLOSURE

The Governmental Accounting Standards Board has issued GASB Statement No. 40, "Deposit and Investment Risk Disclosure." This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The timetable for implementing this statement is for fiscal years beginning after June 15, 2004. Some of the highlights of the new model include:

- Limiting the disclosure requirements currently required by GASB Statement No. 3 regarding deposit and investment custodial credit risk.
- Requiring disclosure of credit and interest rate risk information for specific investments.
- Disaggregation of deposits and investments for disclosure purposes.

This statement may represent a significant change in how your government discloses its deposit and investment balances at year end. We recommend you begin a process of determining the key implementation issues and assessing any modifications needed to properly implement the new statement.